

## **The Malaysia-Thai Business Luncheon Address**

Bangkok, Thailand 6 July 2002

It is indeed an honour and pleasure for me to address this gathering of prominent personalities from the Thai and Malaysian business sector. Given that it is Saturday and a non working day in Thailand, I am overwhelmed by the presence of leading businessmen from various sectors of the industry. I would like to thank the Joint Standing Committee on Commerce, Industry and Banking Thailand, the Protem Committee of the Malaysia- Thai Chamber of Commerce and the Malaysian Embassy in Bangkok for taking the initiative to organise this talk.

2. I would like to reiterate that Malaysia places great emphasis on strengthening bilateral ties with Thailand. Both countries enjoy good relations at all levels. The level of cooperation and the volume of trade and investment between the two countries are growing in significance. Nevertheless, we cannot be complacent but we must make every effort towards further strengthening our resilience and competitiveness through joint cooperative initiatives. As immediate neighbours with common borders, our economic complementarities can be fully exploited towards promoting greater social and economic development between the two countries as well as the region as a whole.

3. Yesterday, I had very fruitful discussions with His Excellency Dr. Thaksin Shinawatra on various areas of cooperation that both countries can pursue.

4. Malaysia is Thailand's fifth largest trading partner and Thailand is Malaysia's sixth largest trading partner. Trade between the two countries accounted for five per cent of Thailand's global trade and four per cent of Malaysia's global trade. Malaysia is the sixth largest export market for Thailand and the fourth largest supplier to Thailand. The level of trade amounted to 6.7 billion US dollars in 2000. The economic downturn last year led to trade contracting to 6.2 billion US dollars in 2001. Figures for the first quarter of 2002 indicate that both imports from Malaysia and Thai exports to Malaysia contracted. This is of concern to us and greater efforts need to be taken to reverse this trend.

5. Given the size of our two economies, the resources and the expertise available, I am confident the level of trade can be significantly increased over the next few years.

6. It is even more encouraging to note that the cross flows of investment between the two countries is expanding and shows that the business communities are already taking advantage of

the liberalisation in trade, services and investment within the context of ASEAN cooperation initiatives.

7. Malaysia's total cumulative investments in Thailand for the period 1998 to 2001 amounted to 41,586 million Baht or approximately 966 million US dollars, and for Jan-April 2002, approved investment amounted to 220 million Baht or 21.6 million US dollars. There are over 60 Malaysian companies already operating in Thailand and the number is much higher if we take into account the many small and medium companies or the individual operators who are sometimes not captured in our records.

8. Malaysian investments are in a wide range of sectors covering telecommunications, banking and insurance, wholesaling and manufacturing of such products as rubber gloves, finger cots, condoms, steel pallets, canned seafood, frozen seafood, plastic bags, printed circuit board, latex, compound latex, metal parts, jigs, fixtures, furniture and auto parts.

9. Based on our records, total investment by Thai companies in Malaysia from 1998 to April 2002 amounted to 94.7 million Ringgit or 25 million US dollars. There are 31 companies with Thai interest in Malaysia. The investments are in chemicals, plastics, rubber products, beverages and tobacco products.

10. I am confident the level of investment will improve as both our countries implement some of the big projects that have been agreed upon and as our economies recover fully from the crisis along with the improvement in global economic environment.

11. In this respect, I am informed that Malaysian private sector members in Bangkok with the cooperation of Thai businessmen have established the Malaysian-Thai Chamber of Commerce, which I will officially launch after this. This could serve as another vehicle in promoting and fostering closer cooperation between the private sectors of the two countries. It will be an effective avenue for the private sector to exchange information and business contacts. At the same time, it could also serve as an important forum to provide views to the respective governments on possible measures that could be taken to further strengthen, promote and develop economic relations between Malaysia and Thailand. My congratulations to those who have made it possible for the Chamber to be established.

12. Both countries have signed and concluded many agreements to pave the way for closer cooperation. An initiative that is currently being pursued by both countries is to have the

accounts trade arrangement between our two countries. There has been some anxiety among the businessmen here that this system will replace the normal method of trade. Let me assure you that this accounts trade arrangement is an additional mechanism available for the business communities to take advantage of when trading in each other's currencies. For example, I understand that over 85 per cent of export receipts of Thailand in 2001 are in US dollars. Export receipts in Baht accounted for only 4.0 per cent. Similarly, over 78 per cent of import payments are in US dollars. Why don't we use our own currencies and save the dollars for trade with the rest of the world. That way shortage of hard currencies will not reduce trade between us.

13. We should explore new and additional methods and mechanisms of doing business rather than staying with our conventional way, in order to strengthen our resilience and to reduce the problems that surfaced following the 1997 financial crisis. Malaysia has concluded such Agreements with over 30 countries and it has helped us expand our trade, especially with countries that face severe foreign exchange difficulties. Trade with some countries increased four fold.

14. Recently, Malaysia, Thailand and Indonesia have concluded the Tripartite Cooperation on Rubber whereby we have agreed to establish a consortium to purchase and manage rubber stockpile amounting to over 225 million US dollars. And we know the results. Governments need not allocate funds for subsidies to poor small holders. Let me reiterate that we need to look at such cooperation initiatives that will bring about mutual benefits to our countries and not to be bogged down with concerns that are sometimes unfounded.

15. The 1997 crisis has taught us not to be dependent on standard measures that are prescribed by international institutions. They are often not workable and bring even more hardship to the people. They reduce the options for us to manage our economy and our social problems. Malaysia has to adopt certain measures that we believe would enable us to recover quickly. Most of the measures taken have now been removed. We should uphold certain norms and methods but not to the extent of destroying ourselves. We must remember that our interests are best served by us.

16. Today, Malaysia is well on the path of recovery and we have had positive growth since 1999. The economic fundamentals are strong, despite the global economic uncertainties, especially following the recovery of our major trading partners. We are confident of achieving 3.5 per cent growth this year.

17. I know that many in Thailand have raised questions related to Malaysia's commitment to AFTA. Let me once again reiterate that we are strongly committed to fulfilling our part of the commitment. AFTA was launched in 1992 and since then the region has gone through many changes. The Asian financial crisis has brought to the surface problems and weaknesses which we had not anticipated and which need rethinking. We need to be more flexible, to cope with a new scenario. What Malaysia has sought in order to address the problems created after the 1997 crisis and the economic slowdown, is some grace period in the transfer of motor vehicle products into the CEPT scheme.

18. Malaysia's commitment under AFTA has often been misunderstood or misquoted. Allow me to provide some clarification with regard to Malaysia's commitments under AFTA.

19. As of today, Malaysia has committed 10,039 tariff lines or products under the CEPT scheme for AFTA accounting for 96.6 percent of the total tariff lines. Of this, 9,117 tariff lines or 90.82 percent have duties between 0-5 percent. In fact, duties have been totally eliminated for over 6,048, representing 60.25 percent. This is a significant achievement as compared to others in the region. Most importantly, these targets were achieved before the scheduled timeframe.

20. The US imposition of protective tariffs and safeguard measures indicates that even developed economies recognise the need to protect their domestic industries. Developing countries certainly require more flexibility in this area.

21. We may have to consider if there are rules that need to be examined in AFTA in order to protect the interest of ASEAN countries against the rapidly changing economic and global environment. In saying so, I am not advocating protectionism but to ensure that industries that need to be nurtured are not on the contrary forced to be closed down. There has to be some adjustments.

22. We have to be pragmatic in our policies rather than seeking for the ideal. I would like to reiterate that ASEAN, in particular Malaysia and Thailand are still among the most attractive places for foreign investors.

23. The integration process within ASEAN is right on track. Recognising the need to be dynamic in approach, ASEAN is already forging closer economic partnerships with Japan, Australia, New Zealand and China. Closer Economic Partnerships arrangements are being discussed with Japan and China, and this will create opportunities for ASEAN. Based on our

experiences in AFTA, discussion must be at levels that are comfortable for all ASEAN members. It should take into account the gap between the new and older members of ASEAN.

24. Fuller integration of ASEAN is yet to be achieved. While ASEAN has been addressing adequately matters related to liberalisation, one area that needs more attention is improving facilitation measures that are causing huge costs to businesses. For example, delays in customs clearance, product standardisation, harmonisation of rules and regulations, and transparency in procedures and approvals. The business community is often faced with these procedural and regulatory constraints that almost negate any tariff liberalisation initiatives. We need to widen and deepen the cooperation of ASEAN in these areas as we move to create a bigger market with the establishment of closer economic partnership arrangements with other countries. We need to create the right environment for our businesses to be competitive.

25. Both countries are taking every possible effort to maintain and accelerate the pace of economic recovery. Both countries have projected an economic growth of 3-5 per cent in 2002. The global economic slowdown, challenges of globalisation and the increased competition posed by other emerging economies in our traditional markets pose serious threat to both our countries. It is therefore no longer a question of choice but a necessity for us within this region to cooperate.