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(PRIME MINISTER)

EVENT: CHILEAN BUSINESSMEN

VENUE: SANTIAGO

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TIME:

Distinguished Guests;

Ladies and Gentlemen,

First and foremost, I wish to take this opportunity to thank your Government for the invitation extended to me and my delegation to visit Chile. As you are aware, the first contact between the region and Malaysia was made a long time ago in the 16th century when the famous Spanish navigator, Ferdinand Magellan reached the Far East by way of South America in 1521. A little known fact about Magellan's epic voyage was that one crew member, Henry the Black, was a Malay from the Philippines who was taken to Spain by Spanish colonisers earlier. Ferdinand Magellan or to give his Portuguese name, Fernao de Magalhaes, a Portuguese citizen served under Afonso de Albuquerque in Malacca, Malaysia. As Magellan died in the Philippines the man who first circumnavigated the world was actually Henry the Black, a Malay. Juan Sebastian del Cano, who took over after Magellan died must be the second man to circumnavigate the world. Later on in the late 19th century, rubber trees from this region were introduced to Malaysia and since then Malaysia has been well known throughout the world for its rubber exports in terms of quantity, quality and the technology that Malaysia has developed in the production and application of natural rubber.

2. Malaysia lies on the reverse side of South America with the huge expanse of the Pacific Ocean lying between us. Fortunately today with major advances and achievements in the field of transportation and communication, this physical distance between us has been reduced considerably and, consequently it is easier for people of our two countries to visit and communicate with one another.

3. I am delighted to note that trade between our two countries has shown encouraging growth in recent years. Two-way trade between Chile and Malaysia has grown from US\$12 million in 1985 to US\$54 million in 1990. Growth in trade has been mutually beneficial as both imports and exports have expanded.

4. Malaysia has an open economy in which trade assumes an important role. Total exports amounted to US\$29,400 million in 1990. The export sector contributes about 69 per cent to the Gross Domestic Product of the country. Malaysia main-

tains trade relationship with all the countries of the world including countries in this region. It is my fervent hope that our bilateral trade relationship will continue to grow strongly. The large group of Malaysian businessmen in my delegation is here to explore positively more economic interaction between our two countries.

5. In the past, the Malaysian export trade was dominated by minerals and primary commodities. With rapid industrialisation the export of manufactured goods today contributes about 60 per cent of exports. Malaysia also maintains a substantial import trade amounting to US\$29,300 million in 1990. They are mainly food, machinery and transport equipment together with industrial machinery and components for the manufacturing sector.

6. In view of the importance of international trade to the economy, Malaysia is committed to an open economic system and we wish to strengthen further our economic links with all our existing trading partners as well as develop new ones. Like Chile, Malaysia is a member of the General Agreement on Tariffs and Trade (GATT) and together we participate actively in the Uruguay Round of Trade Negotiations which was launched five years ago in Punta del Este.

7. We are hopeful that the successful conclusion of the Uruguay Round will eventually result in a more liberal international trading regime. The Uruguay Round has entered its fifth year of negotiations. Though there had been hitches which have slowed down the negotiations, there are now however, positive indications that participating countries are willing to return to the negotiating table with renewed commitment and political will, to bring the Round to a successful conclusion. Malaysia as a trading nation, small though it may be, will do its utmost to contribute positively to the successful conclusion of the Round. In this regard, our commitment is reflected in our efforts to liberalise further our import regime consistent with a more liberal trading practice. Liberalisation inter-alia would take on the form of tariff reduction and deregulation in economic activities.

8. As part of the process to facilitate the successful conclusion of the Uruguay Round, Malaysia is already actively involved in cooperation with like-minded groupings such as the Cairns Group and G 15. In our efforts to strengthen multilateral cooperation, Malaysia is also active in promoting regional cooperation. At the regional level, the Association of South East Asian Nations (ASEAN) of which Malaysia is a member, has made much progress in the field of trade and industrial cooperation. Intra-regional trade has been enhanced through the ASEAN Preferential Trading Arrangement (PTA) while regional industrial cooperation is facilitated through the ASEAN Industrial Joint Venture (AIJV) programmes.

Ladies and Gentlemen,

9. At the East Asian regional level, Malaysia has initiated the formation of the East Asia Economic Group (EAEG). The EAEG is not intended to be a closed trading group but merely a forum for East Asian countries to defend the free trading system. It also has the objective of enhancing economic cooperation among East Asian countries. The ASEAN experience has shown that neighbouring countries can learn a lot from each other and can help each other to develop. When neighbours develop together their intra regional economic activities are enhanced for the benefit of all. Poor neighbours create problems particularly in terms of migration. Their markets too cannot contribute towards regional trade. Poor neighbours will consequently stunt regional growth. The EAEG by keeping free trade alive and helping each other's growth is expected to have the same catalytic effect on East Asian countries as ASEAN had. The countries of the EAEG will be free to trade with the rest of the world. As collectively it will be a massive market, it will benefit countries outside the region as well. World trade will therefore benefit from the formation of the EAEG.

10. We note that the countries of South America have also intensified their efforts in enhancing regional cooperation by setting the time frame for the operation of the Andean Pact and the MERCOSUR. We view these regional cooperation programmes positively as they seek to enhance trade and economic cooperation along accepted multilateral trade principles embodied in the GATT. Apart from these developments in regional cooperation, there are also other developments taking place in the developed world such as the formation of the Single European Market and the North American Free Trade Agreement (NAFTA).

11. In the interdependent world that we live in, developing countries such as ours are greatly dependent on the developed world for trade and investment. The developed countries however have their own regional groupings and, at the same time, their own economic imperatives which tend to spill over and adversely affect us. We hope that they will set a good example for the developing countries by structuring their regional groupings and devising solutions to their problems in ways which are consistent with the free trade principle.

12. While the developed world is important to the developing countries as a market for their products, we should not forget the tremendous potential benefits that could be derived through greater South-South cooperation and trade. It must be remembered that developing countries are good markets for the developed north. They surely can be good markets for the countries of the south as well, if only we can get our act together. Therefore in our quest for economic development, cooperation among the developing countries should merit priority attention also. Vast potential and opportunities for the furtherance of economic and trade gains exist in the developing world.

13. We are hopeful that South-South cooperation will be further intensified. The purpose of my visit here with a large delegation is to meet with political and business leaders and to identify and pursue common areas of interest. I am confident that we can all succeed in this effort in view of the common goals that we have. We are members of the Group of 77 and of GATT and we have high expectations on the Uruguay Round of Trade Negotiations. In these activities, we share common aspirations to achieve and accelerate economic development in the context of a liberal trading environment to give our people a higher standard of living and a better quality of life.

14. The enhancement of economic relations between our two countries encompasses several areas in trade and cooperation in the services sector. In this respect, Malaysia looks forward with confidence to increased trade with Chile, both imports and exports. To facilitate this, we shall be concluding a Trade Agreement between our two countries as well as a Bilateral Payments Arrangements to facilitate payment of trade transactions.

Ladies and Gentlemen,

15. Another potential area for economic cooperation between our two countries which can be explored further is investment. Malaysia has a liberal and attractive programme to attract foreign direct investments, both in terms of capital and technology. Foreign investors find that investments in Malaysia give them a competitive edge in world markets as well as access to the burgeoning markets of South East Asia and East Asia. The availability of numerous raw materials and reasonable as well as highly trainable labour force ensure profitability.

16. For Chilean industries wanting to sell commodities or manufactured goods to East and South East Asia, Malaysia provides a depot and base for rapid and efficient distribution to the countries in the region, as otherwise direct shipments from Chile would be costly and infrequent due to shipping constraints. Malaysia especially welcomes regional headquarters and offer incentives to them. Company executives enjoy a good life in Malaysia because of good communication, low cost of living and the availability of food and goods from every corner of the globe. The annual inflation rate is between 2 to 4 percent and most luxury items enjoy tax-free status.

Ladies and Gentlemen,

17. Malaysia also pursues an active policy of privatisation since 1981. In this privatisation programme, participation by foreign investors is also welcome especially when they can contribute technology or expertise. In any case as such companies are listed on the stock exchange, foreigners and foreign institutions can buy and sell shares in a booming capital market.

18. Our achievements made in the plantation sector and in

recent years in the development of the manufacturing sector has enabled Malaysia to develop expertise in manufacturing, plantation management, construction and engineering consultancy. We are ready to cooperate with the Chilean business community in these sectors as has been done with many other countries.

19. I am heartened by the tremendous potentials for the strengthening of bilateral cooperation over a broad range of economic activities. While Government can provide the environment and conditions conducive to such a development, it is for the private sector of both countries to get the business moving. In this regard, I am confident that there will be concrete discussions on business opportunities among the business leaders of both countries and follow-up action will be taken to translate the business potentials into actual business transactions and projects on the ground to increase the commercial flows and investments between our two countries.