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( PRIME MINISTER )

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Let me say how happy I am to be in Mexico as a guest of your Government. This visit has given me the opportunity to meet with your political, business and industry leaders and exchange views on matters of common interest. I wish to thank the organiser for the initiative to hold this function and to allow me to address this distinguished audience of Mexican business and industry leaders who wish to expand and develop bilateral trade and economic relationship between our two countries.

2. As you know economic relations between our two countries have always been friendly and cordial. Over the years, bilateral economic ties have shown encouraging improvement. Mexico is the third largest trading partner of Malaysia in Latin America after Argentina and Brazil. Malaysia's total trade with Mexico has expanded from US\$9.40 million in 1985 to US\$69.70 million in 1990. In this trade expansion, I am delighted to note that trade has diversified from primary commodities to include manufactured products such as radio broadcast receivers, telecommunication equipment and iron and steel products, a testimony to the wisdom and practicality promoting South-South economic interaction.

3. Malaysia has an open economy in which international trade has always played an important role. Malaysia maintains commercial contacts with all the countries of the world and goods as well as currency have always been allowed to flow freely across its borders. In all these it has been consistent, eschewing radical switches.

4. In 1990, Malaysia with a population of about 18 million exported US\$29.4 billion worth of goods while total imports amounted to US\$29.3 billion. Malaysia's trade with Mexico amounting to US\$69.7 million represents about 0.12 percent of total trade. Therefore there is much room for improvement to the existing flow of trade between both countries.

5. Accordingly, I have brought with me a large trade delegation comprising the captains of trade and industry in Malaysia to meet with their counterparts in Mexico to establish contacts and discuss serious business.

6. The opportunities for the expansion of two-way trade

and economic cooperation are immense as both our countries share the same policies to promote economic development and achieve rapid economic growth and in this process both countries have achieved commendable success.

7. The Malaysian economy grew at an average rate of 6.3 percent per annum in the last decade. Growth was even faster in the past 3 years averaging about 9.0 percent per annum.

8. In our economic development programme for this decade the Malaysian economy is projected to grow by 7% per annum. Exports is expected to increase from US\$29.4 billion today to US\$94.7 billion by the end of the decade. Imports of such items as machinery and transport equipment, minerals, agricultural raw materials and intermediate products to meet the needs of the industrial sector as well as food and consumer goods for the country's growing population will grow in tandem with increasing exports. Imports are projected to grow from US\$29.3 billion today to US\$89.3 billion by the year 2000.

9. There will therefore be a lot of opportunities for the imports of Mexican products into Malaysia more so because of a positive desire on the part of Malaysia to diversify its sources and reduce its dependence on its traditional trading partners.

10. At the same time, Mexico with its large population and expanding economy is a country with potential for import of a variety of Malaysian goods. The quality of our products is high and generally meet international standards as well as being competitively priced. However, the Pacific Ocean is a big expanse of water and transportation cost will add to the prices of Malaysian goods. The landed costs of Malaysia's exports will obviously have to be competitive to be able to break into the Mexican market. This is where we need to look into making shipping less expensive through special carriers, and regulated frequencies. Links too will have to be established. Close sharing of revenue and operation will reduce initial loses. Malaysia Airlines is a medium size operator which has been consistently profitable and believes in cooperation rather than cut-throat competition.

11. Mexico is also an ideal location for siting re-distribution centres for Malaysian products to the regional market, including North and Central America. On the other hand, Malaysia is also ideal as a re-distribution centre for Mexican goods to East and Southeast Asia. Our traders must study this cost-cutting approach very seriously.

12. The manufacturing sector in Malaysia has been identified to be the engine of growth. It is expected to contribute 37.2% to the GDP by the year 2000 as compared with 27% today.

13. In the development of the manufacturing sector, Malaysia maintains an open door and a liberal policy towards foreign investment. Mexican investors are welcome to avail themselves of the opportunities and incentives in the manufacturing sector.

14. Malaysia is situated in the heart of the dynamic Association of South East Asia Nations (ASEAN) and East Asian region and it certainly is an ideal location for off-shore manufacturing operations for distribution to the local and regional market.

15. It is therefore important for Mexican businessmen to visit Malaysia and look at the opportunities that we have. Malaysia is a warm and hospitable country and we have always welcomed foreigners. It would be useful if Mexico could consider increasing her promotional efforts in the region through participation in trade fairs and the dispatch of trade missions, and the organisation of food, cultural and trade promotional events in Malaysia such as a Mexican Week. For whatever promotional work undertaken in Malaysia, you can be rest assured that all the cooperation required will be given by government and the private sector to ensure its success.

16. Malaysian entrepreneurs have also developed competence and expertise in certain sectors such as in plantation and mining, certain sectors of the manufacturing industry particularly those involving rubber, palm oil and textile products. In the services sector, such as engineering consultancy, construction and tourism, Malaysians will be looking for opportunities in Mexico, preferably in cooperation with local entrepreneurs.

17. Malaysia, as a trading nation, strongly supports a more liberal international trading environment. In this regard, our commitment is reflected in our efforts to liberalise further our import regime consistent with international requirements. Liberalisation inter-alia would take on the form of tariff reduction and deregulation.

18. Malaysia participates actively in the Uruguay Round of Trade Negotiations along with like minded countries such as Mexico. I am happy to note that we share similar perceptions concerning international trade, namely that an open and more liberal trading environment would be beneficial to growth in trade and would certainly benefit countries like us. Therefore, we share common concern to expedite the Uruguay Round of Trade Negotiations to a successful completion.

19. I wish to congratulate Mexico for its positive contribution to trade liberalisation by restructuring its import regime to be consistent with GATT when she joined GATT three years ago. Such courageous and radical measures could only take place when a government has a clear vision of the future and confidence in the management of the economy. It is

an example which others should follow.

20. This would facilitate import and would certainly benefit countries such as Malaysia which has the products and the desire to expand trade with Mexico.

21. As trade and foreign investment contribute substantially to economic growth, Malaysia attaches much importance to strengthening linkages with her trading partners through bilateral, regional and multilateral effort. One major initiative is regional economic cooperation through ASEAN which was established in 1967. Over the years ASEAN has achieved strong economic growth rates and has established strong economic linkages with countries in the East Asian crescent.

22. In this regard we are confident that countries in this region are ready to strengthen regional economic cooperation further and should therefore support our proposal for the East Asia Economic Group (EAEG). The EAEG will be a loose consultative forum whose main task would be to defend free trade during international trade conferences. It would be GATT consistent. The EAEG can also help the member states to develop through investments and trade and so contribute to regional prosperity.

23. I believe Mexico shares the same sentiments. In Mexico's external relationship she maintains strong links with countries in the region such as the USA and Canada. Therefore, I understand the merits of the proposal to establish the North American Free Trade Agreement to promote economic cooperation in the North American continent. I hope that the participating countries of NAFTA will ensure that it is consistent with GATT and would be outward looking to ensure that international trade will also benefit from the Association. While there may be short-term gains from closed trading arrangements, in the long run deprivation of markets in the rest of the world will negate early gains.

24. In her effort to promote regional cooperation, I hope therefore that Mexico would approach it with a wider perspective in view. New and dynamic markets are developing in many parts of the world and they can absorb a lot of Mexican exports to enrich Mexico.

25. With the visit of the Malaysian delegation to Mexico I am certain that there will be better understanding of the opportunities available in both countries which can contribute towards further economic interaction and the enhancement of South-South cooperation through diversification of markets and sources.