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(PRIME MINISTER)

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AND INDUSTRY

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TIME:

Distinguished Guests;

Ladies and Gentlemen,

I wish to thank the Philippines Chamber of Commerce and Industry (PCCI) for the opportunity given to me to address this distinguished gathering of members of the Philippine business community and to share with you some thoughts on the prospects for greater two-way trade and economic cooperation between the Philippines and Malaysia.

2. When I met H.E. President Ramos during his official visit to Malaysia last year, we had had very useful exchanges of views on the whole spectrum of our bilateral relations as well as regional and international issues of mutual concern. We paid particular attention to matters on trade and economic relations between our two countries so that a more conducive framework could be worked out to enhance cooperation in the economic sector.

3. Malaysian and Filipino entrepreneurs have been quite responsive to the opportunities arising from liberalisation measures undertaken unilaterally by both countries and through the Common Effective Preferential Tariff (CEPT) mechanism towards the creation of the ASEAN Free Trade Area (AFTA). Several major Malaysian corporate groups such as the Kuok Properties, Genting, Berjaya Group, Tanjung Group and others have already established their presence in the Philippines through joint ventures and participation in the development of the Subic Bay area. This evidence of growing confidence in the Philippines is obviously the result of the pragmatic economic policy being pursued by your current administration.

4. The level of two-way trade between the Philippines and Malaysia currently stands at about RM1.83 billion (US\$0.72 billion), with Malaysian exports to your country amounting to RM1.22 billion (US\$0.47 billion) and our imports at RM610.7 million (US\$239 million). While our bilateral trade has certainly grown, the close proximity of our two countries should have generated a higher volume of trade than is currently happening. In many ways our two countries have the same economic goals and aspirations and this could

certainly provide us with the basis for cooperation in all economic sectors. Political differences are still with us but both the Malaysian and the Philippines Governments have decided not to let these differences stand in the way of economic cooperation.

5. In ASEAN we both have a strong base and viable models for the economic development of our countries. There is no doubt that we have all learned from each other's mistakes and strategies. In fact the ASEAN framework of cooperation enables us to achieve greater efficiency in manufacturing and production, in addition to making our producers more competitive in the world market. The creation of a free trade area in ASEAN would make the ASEAN countries more attractive for foreign direct investment. The particular comparative advantages of each country will no doubt play a role in the choice of investors.

6. Our commitment to the creation of AFTA must be reflected in our readiness to meet the deadlines set for tariff reduction and trade liberalisation measures envisaged over the time frame that we have set for ourselves. In fact the current thinking among ASEAN leaders points to the need to accelerate the pace of liberalisation in order that AFTA can be achieved five years ahead of the original 15-year time frame.

7. The creation of AFTA means that businesses must make the necessary adjustments to meet the challenges associated with free trade. With reduced tariffs, there will be less protection for practices which cannot withstand open competition. While governments can provide the environment conducive for trade and commerce to flourish, it is the private sector which must be more responsive to the challenges and opportunities arising from the AFTA. Competing with each other will result in our being more competitive in the rest of the world. While trade within AFTA is important, more important still is the trade with countries outside AFTA.

8. In the context of ASEAN economic cooperation, the Philippines together with Malaysia, Indonesia and Brunei are now making efforts to develop the East ASEAN Growth Area covering the Southern Philippines, Kalimantan and Sulawesi in Indonesia, Brunei, Sabah and Sarawak in Malaysia. We need to develop the area so that the benefits of economic progress are diffused to regions outside our major urban centres. While the development of cross-border trade will be the thrust of the trilateral initiative, other economic sectors such as tourism, shipping and land development can be tapped to further enhance the growth of the area. As a start we could try to develop the communication links between the regions, as the current lack of communication infrastructure has impeded trade and development of the area.

Ladies and Gentlemen,

9. Malaysia adopts a liberal approach to economic management and development. We maintain an open economy, and coupled with sound trade and investment policies we have endeared ourselves to foreign investors. We have managed to sustain a relatively high growth of around eight to nine percent per annum. While foreign direct investment in Malaysia is an important factor in our economic development, Malaysia also adopts a liberal attitude towards reverse investments. It is for this reason that our private sector is now in Iran, Fiji, Papua New Guinea, China, Vietnam, Cambodia, Myanmar, and a host of other countries. Nearer home Malaysian investments are also seen in our ASEAN neighbours of Thailand, Singapore and Indonesia and in your country.

10. The Philippines is important to Malaysia's hopes for greater intra-ASEAN trade and investment. Malaysian investment interests in the Philippines have increased over the years and can certainly be expected to increase further in the coming years as projects under the Memoranda of Understandings signed in 1993 come onstream. Our investments here, especially in Subic Bay, are expected to run to millions of dollars. They include investments in manufacturing, hotels, resorts, food processing, construction of highways, automotive assembly and recreational facilities, among others.

11. Likewise Malaysia would like to extend our invitation to the Philippine businessmen to invest in joint-ventures with Malaysian counterparts in all sectors of our economy. I note that total Philippine investments in Malaysia for the period 1980-1993 cover a total of 25 industrial projects. The total proposed Philippine equity and capital investments in these projects amounted to RM68.3 million (US\$26.7 million) and RM168.6 million (US\$66.1 million) respectively. The bulk of these investments is in the manufacturing sector and in joint ventures in food manufacturing, textiles, industrial and chemical products and non-metallic products.

12. The level of Philippine investment in Malaysia can of course be very much more than the present level. Both our countries have in fact paved the way for greater joint economic cooperation with the signing of the Double Taxation Agreement on April 1982 as well as by the Multilateral Investment Guarantee Agreement of ASEAN concluded on 12th December, 1987.

Ladies and Gentlemen,

13. The growth of bilateral trade has been mutually beneficial as both imports and exports have expanded. At the same time, the composition of trade has also diversified.

14. The Malaysian economy is expected to grow more than eight percent this year. There will therefore be a lot of opportunities for the importation of Philippine products into Malaysia, more so because of our desire to diversify our import sources and reduce dependence on our traditional trading partners. At the same time, the Philippines with its large population and expanding economy is a country with potential for import of a variety of Malaysian goods. Perhaps we should accord greater attention to the development of infrastructure that would directly facilitate trade.

15. Malaysian entrepreneurs have also acquired expertise in certain sectors such as in plantation and mining, and the manufacturing industry, particularly those involving rubber, palm oil and textile products. In the services sector, such as engineering consultancy, construction and tourism, Malaysians are looking for opportunities in the Philippines, in collaboration with local entrepreneurs.

Ladies and Gentlemen,

16. 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 share. We also have common aspirations, that is to achieve and accelerate economic development in the context of a liberal trading environment so as to give our people a higher standard of living and a better quality of life.

17. I am heartened by the response and interest by the private sector in the Philippines to step up commercial relations with Malaysia. I am confident that there will be concrete discussions on business opportunities among the business leaders of both countries, and that follow-up action will be taken to translate business potentials into actual business transactions.

18. As we look to the future with hope and confidence, let us continue to strengthen the foundation of our relations so that we will mutually benefit from this development. Thank you.