

SPEECH BY: Dato' Seri Dr. Mahathir Bin Mohamad
(Prime Minister)

EVENT: The Breakfast Meeting

VENUE: Montevideo, The Oriental Republic of Uruguay

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TIME:

1. It is an honour for me to be given this opportunity to address prominent members of both Uruguayan and Malaysian business and industrial communities. I wish to thank the organiser for the initiative in organising this function. The event such as this would certainly enable the business communities of our two countries to have discussions that would lead to enhancing economic relations and bilateral ties between Uruguay and Malaysia.

2. I was here once, about two years ago in November 1995, on an unofficial visit. This time is my first official visit, accompanied by Malaysian business delegation. Though a brief one, this visit is to touch base again with the government officials, as well as business and industrial leaders of Uruguay.

3. Uruguay and Malaysia do not have a long history or tradition of economic cooperation or commercial ties. Ours is a relatively new relationship. Currently, bilateral trade between Uruguay and Malaysia is very small, only 0.02 percent of Malaysia's total global trade in 1996. As a percentage of Malaysia's total trade with Latin American countries it represented 1.4 percent. However, from US\$4.6 million recorded in 1990, trade value between our countries increased to US\$29.8 million in 1996. Latest bilateral trade figures between our two countries were encouraging. For the first half of 1997, bilateral trade between Uruguay and Malaysia amounted to US\$28.1 million. This was higher than US\$20.4 million recorded over the corresponding period of 1996.

4. Malaysia's import from Uruguay in 1996 has declined by 1.6 percent to US\$2.5 million from US\$2.6 million in 1995. About 95 percent of Malaysian imports from Uruguay was leather. However, during the first half on 1997, imports increased to US\$8.5 million compared to US\$2.2 million in the corresponding period of 1996. Although the figure is still small, the trend is positive and encouraging.

5. As for Malaysia's exports to Uruguay, the amount recorded in 1996 was US\$27.2 million compared with US\$18.3 million in 1995, an increase of 48.8 percent. During the

first half of 1997, exports increased to US\$24.4 million compared to US\$11.6 million over the corresponding period of 1996. Export to Uruguay included radio broadcast receivers, sound recorders, natural rubber and telecommunications equipment, which together, represented 86 percent of Malaysia's exports to Uruguay.

6. The narrow range of merchandise traded could be diversified as trade develops further between Uruguay and Malaysia. I am optimistic that bilateral trade between our two countries will be expanded in the near future. This can be achieved through greater cooperation and trade promotional activities undertaken by our two countries.

7. For countries like Malaysia, an open and liberal multilateral trading system is essential in order to continue developing and progressing. Being an export oriented economy, Malaysia attaches great importance to establishing strong trade links with its traditional trading partners and the new markets, including Uruguay. Market access is very crucial for Malaysia. It must not be constrained by the trade impediments such as non-tariff barriers or complicated bureaucratic procedures. In this regard, I am happy to note that Uruguay is one of the countries with the most open economy in the region. Trade-wise, Uruguay was also one of the first Latin American economies to evolve towards a free and unhindered foreign trade regime, both for imports and exports.

8. Malaysia recognises the importance of having a significant tie with Uruguay. The strategic location of Uruguay in the Southern Cone of Latin America, can make it the centre of trade for the region. In addition, diversification of its market beyond the MERCUSOR will certainly benefit Uruguay. By diversifying its market, Uruguay could take advantage of the different stage of economic growth in the different regions of the world. Establishing trade and economic relation with Malaysia would to a certain extent allow Uruguay to diversify its market and trade.

9. In this regard, Malaysia is willing to form a 'strategic alliance' with Uruguay. Investors looking at Malaysia should not look at the market in Malaysia alone, but the regional market of ASEAN and beyond. Being in the centre of South East Asia, Malaysia is an ideal location to serve as a gateway for Uruguay as well as MERCUSOR's member countries. Uruguayan businessmen should increase their business presence in the Asian region. Use Malaysia as a springboard for production and distribution of your products in ASEAN. The huge ASEAN market and its liberal trading environment will provide and offer tremendous business opportunities in the future. ASEAN is now the world's fourth largest trading entity after the United States, the European Union and Japan. With a combined

total population of 460 million people, ASEAN provides ample opportunities for the Uruguayan business community. The year 2003 will see the completion of ASEAN Free Trade Area (AFTA), in which tariffs for ASEAN manufactured products will be not more than 5 percent and with the majority attracting zero tariffs. The dynamic regional market would, in itself, be attractive to foreign investors who can locate their operations in an ASEAN country such as Malaysia, to serve the whole region. I welcome companies from Uruguay to take this opportunity by investing in Malaysia.

10. Perhaps, telecommunications is one of the sectors of interest. As I was informed, the Uruguayan businessmen have expressed great interest in the Multimedia Super Corridor (MSC) of which Malaysia has embarked on. The MSC is for the whole world, not only for Malaysia. As Montevideo could be the administrative centre of MERCUSOR, Uruguay could evolve as the telecommunications hub of the region. Uruguay's excellent and up-to-date regional telecommunication services, could spearhead the development. I was informed that Uruguay has six times as many telephone lines as the average for Latin America, and 97 percent of its telephone network is fully digitalised. Also, Uruguayan cost of international calls is the lowest in the region.

11. Malaysia is always prepared to encourage our entrepreneurs to be involved in the economic and trade development in Uruguay. For example, Malaysia's national car company, PROTON, has appointed a distributor in Uruguay. PROTON is planning to launch about 60 units of cars in the middle of March 1998. It is expected that PROTON could sell about 400 to 500 cars in Uruguay's market as a start.

12. Malaysian businessmen could also explore the opportunities in Uruguay's forestry, tourism, housing and property development, and manufacturing sectors. With its conducive tax structure, free port and proximity to the large neighbouring markets, Uruguay could prove to be a suitable manufacturing base for Malaysian companies. This is in line with Uruguay's government initiative to make Uruguay a centre for services, industrial processing and distribution of merchandise to and from the rest of Americas and the world.

13. In addition, Malaysia is looking forward to cooperating in the field of Agribusiness, of which Uruguay has successfully carved niches in the international markets. These include the meatpacking and dairy industries. We can benefit by sharing each other's experiences, technological advances and specialised skills.

14. The success of economic cooperation between nations rests upon the decisions made not by the public sector, but by the private sector. As the engine of growth in the economy, the private sectors of both countries should act proactively, based on the idea of 'smart partnership', where everybody can gain. Exchange of visits and networking through Industry and Trade Association would certainly help. To encourage trade and investment activities, the Uruguayan and the Malaysian Government have signed the Investment Guarantee Agreement and Bilateral Trade Agreement in 1995. These agreements provide the enabling environment for business ventures. In addition, we can explore and invest in each other's markets to develop and efficiently utilised trade and economic opportunities in Uruguay and Malaysia. The Economic, Technical and Scientific Agreement signed in July 1996 would enable both countries to undertake cooperation in economic, technical and scientific fields that are mutually beneficial. Meanwhile, our two governments are negotiating agreements concerning the avoidance of double taxation, bilateral payment and air services. I hope that we could conclude these agreements.

15. I believe that geographical distance would not hinder our bilateral relation. We should recognise the benefits of working together. We are both members of important regional organisations; the MERCUSOR as in your case and ASEAN as in our case. I trust that trade and investment relation between our two countries can be further enhanced. There are good prospects for the development of more concrete and substantial relations.

16. In conclusion, I wish to thank the Government and people of the Oriental Republic of Uruguay for the very warm welcome extended to me, and my delegation. I sincerely hope that this visit will contribute to the increase in bilateral relation between Uruguay and Malaysia.