

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

EVENT: The Joint Launching of The Argentine Exporters Conference on ASEAN Countries

VENUE: Buenos Aires, Argentina

DATE: 03 Oct 1997

TIME:

1. First of all, I would like to thank the organisers of this Conference for giving me this opportunity to jointly launch 'The Argentine Exporters Conference on ASEAN Countries' together with His Excellency President Menem.

2. This Conference is timely as Argentine businessmen are now placing an increased focus and importance to trade with Asia, particularly the Association of South East Asian Nations or ASEAN, considering the vast opportunities that are generated as the liberalisation process on both multilateral and regional levels is being undertaken.

3. Argentina's continued presence in ASEAN is felt as trade has exceeded US\$800 million, accounting for 14.0 percent of ASEAN's global trade with Latin America in 1996. Argentina was also ASEAN's fourth largest trading partner in Latin America after Brazil, Mexico and Chile.

4. The recent entry of Myanmar and Laos into ASEAN has turned this regional grouping into a large entity with a population of 480 million and a combined GDP of US\$711 billion. With this, the ASEAN market is set for dynamic growth and investors are therefore assured of attractive returns. Malaysia will serve as an ideal base for Argentine businessmen to locate their operations to tap the full potential of an expanding ASEAN market.

5. ASEAN is also moving towards establishing the ASEAN Free Trade Area (AFTA) by the year 2003. In realising the AFTA, 93 percent of our tariff lines is presently included in the list for AFTA concessions. Notably, only 1.4 percent out of the total ASEAN tariff lines would be excluded from tariff reduction for security, health and religious reasons. Currently, 85 percent of the Intra-ASEAN trade is already subject to a tariff of between zero to five percent under the Common Effective Preferential Tariff (CEPT) Scheme.

6. ASEAN is also moving towards establishing an ASEAN Investment Area which would further promote the flow of investments into the region. ASEAN has also signed the ASEAN Framework Agreement on Services which would lead to

freer flow of services in the seven priority sectors such as tourism, construction, telecommunications, finance, air and maritime transport. With the establishment of the ASEAN Investment Area, tariff reductions and the liberalisation of services sector, investors would have greater scope and opportunities.

7. I would like to encourage Argentine entrepreneurs and investors to increase their business presence in this region by using Malaysia as a springboard for production and distribution of their products into the ASEAN region. Argentine companies can also enter into partnerships with Malaysian companies to venture into projects in third countries.

8. We in ASEAN, acknowledge the dynamism and the aspiration of MERCOSUR to become a Free Trade Area by the year 2000. We are also aware that MERCOSUR has recently been expanded to include Chile and Bolivia as its associate members thus enlarging the market to 201 million and a GDP of over US\$1 trillion as well as a per capita income of US\$5,425.

9. We are confident that the realisation of plans in MERCOSUR will further stimulate the economic growth of member countries of the region and that this grouping will adopt an open approach to trade with countries outside the region. By adopting an open-regionalism approach, regional groupings such as MERCOSUR and ASEAN will also benefit countries outside their respective regions, as a result of increased economic activity within the region. This will invariably create greater opportunity and demand for goods and services from outside the region.

10. It is encouraging to note that Argentina's global trade in the last five years have expanded and recorded an average annual growth of 10.4 percent. Argentina's global trade in 1996 was US\$47.6 billion, representing 9.8 percent of Latin America's external trade. MERCOSUR, the European Union, USA and East Asia remained her principal trading partners which in total account for 72.9 percent of her global trade.

11. In respect of trade with East Asia, the volume of trade between Argentina and East Asia had increased by 30.4 percent to US\$6.0 billion in 1996 from US\$4.6 billion in 1995. The primary trading partners were the People's Republic of China, Japan and ASEAN which together accounted for 52.4 percent of Argentina's total trade with East Asia.

12. ASEAN economies have registered high growth rates over the last 10 years. The Malaysian economy has been growing at an average of eight percent over the last decade and the growth is expected to remain robust with

GDP growth projected between 7.8 percent to 8.2 percent this year. The per capita income of Malaysia in 1996 was US\$4,259, an increase of 9.2 percent over 1995. The average import tariff in Malaysia is low at nine percent nominal and less than seven percent trade weighted. Malaysia also has a low inflation rate, currently running at below four percent per annum.

13. Malaysia is now the 19th largest exporter and the 17th largest importer in the world and hope to become the 15th largest trading nation at the turn of the century. In 1996, Malaysia's global trade totalled US\$157.6 billion and her major trading partners were Japan, Singapore, USA, Hong Kong, Thailand, Germany and United Kingdom which collectively account for 76.0 percent of our total external trade.

14. At the same time, Malaysia has also undertaken efforts to forge greater trade and investment links with the countries in the South. In the last five years, the external trade generated between Malaysia and countries in the South has increased by 136.4 percent to US\$13.9 billion in 1996 from US\$5.9 billion in 1992. In efforts to enhance relations with South-South countries and to provide a conducive framework for the private sector to establish business links, Malaysia has concluded bilateral Trade Agreements, Investment Guarantee Agreements and Bilateral Payments Agreements with several countries in the South. I am convinced that the exchange of visits of business delegation and business contacts of this nature will help to strengthen bilateral trade and business relations between our two countries.

15. Malaysia has consistently recognised the importance of long term Foreign Direct Investments (FDI) for her economic growth and development. FDI has contributed significantly to our economic development, particularly in maintaining the momentum of growth in the manufacturing sector. It is for this reason that we are committed towards creating an environment that will provide, both foreign and local, investors with the opportunities for increased investment, growth and profit. Malaysia's efforts in promoting foreign direct investment into the manufacturing sector have been successful over the years. From 1992 until July 1997, a total of 4,526 manufacturing projects was approved involving capital investment of US\$53.3 billion. Of this amount, US\$27.2 billion or 50.6 percent was foreign direct investment, reflecting the attractiveness of the Malaysian investment environment.

16. The Malaysian Government in promoting the thrust into hi-tech industrialisation, has identified several hi-tech products and activities in the area of new and emerging technologies. These include the areas of advanced electronics, equipment/instrumentation, bio-technology,

automation and flexible manufacturing systems, electro-optics and non-linear optics/advanced materials, optoelectronics, software engineering, alternative energy sources and aerospace. Interested Argentine companies are particularly welcomed to invest in these hi-tech sectors. An attractive package of incentives are available to encourage investment in these hi-tech areas and research and development activities.

17. As Information Technology (IT) is a critical component for the future growth of the manufacturing sector and the Malaysian economy, emphasis is laid on IT industries in order to ensure the sustenance of her competitive edge in the emerging digital economy as well as to attract investments in this sector. Under the Seventh Malaysian Plan (1996-2000), the Government has allocated a sum of US\$578.0 million (RM1,444.9 million) for computerisation of public sector projects.

18. As you are also aware, Malaysia is developing the Multimedia Super Corridor (MSC) as the perfect environment for world class companies wanting to create, distribute and employ multimedia products and services. The MSC is being developed as a 15 x 50 km corridor with the best possible physical infrastructure, special cyberlaws, policies and practices, world-class physical infrastructure and next generation 2.5-10 gigabytes multimedia network.

19. The Malaysian Government has targeted seven multimedia applications for initial development. These flagship applications are electronic Government, telemedicine, smart schools, national multipurpose card, R&D clusters, world-wide manufacturing webs and borderless marketing centres. The Government is seeking assistance from leading local and international companies to develop and implement these applications in the MSC to catalyse the development of a highly competitive cluster of multimedia or IT companies that will become world class over time.

20. Malaysia has always adopted a pro-business approach in its development policies. We have a clear and transparent set of guidelines to facilitate investments. They range from liberal equity conditions, flexible expatriate employment policies, liberal exchange control regulations and tax reliefs and concessions. Foreign investors are allowed to own 100 percent equity if the projects are for 80 percent export and above. In addition to the liberal investment policies, Malaysia offers attractive tax incentives which provides full or partial tax reliefs from corporate tax, now at 30 percent. Tax incentives are also provided for reinvestments by existing companies in the form of a 60 percent allowance on qualifying capital expenditure. The package of fiscal and

non-fiscal incentives provided has been an attractive inducement to FDI.

21. In the last five years, trade between Malaysia and Argentina continued to increase annually on an average of 28.3 percent to US\$351 million in 1996 from US\$101 million in 1991. The balance of trade have been in Argentina's favour. This is not a matter that both our countries should be concerned with. Both countries especially the businessmen must work towards increasing the quantum of trade to a much higher level.

22. Currently, the exports of natural rubber and latex constitute 28 percent of Malaysia's total exports to Argentina, and manufactured products such as telecommunications equipment, air-conditioner components, articles of apparel and clothings and office machines are beginning to feature prominently as they collectively amounted to 47.7 percent of our exports in 1996. As a matter of fact, a number of Malaysia's manufactured exports are already of world class quality. Today, Malaysia is the world leading exporter of room air-conditioner as well as a leading global producer of semiconductors, latex examination gloves, catheters, rubber threads and audio-visual equipment.

23. I am also happy to note that the Malaysian national car, Proton, has gained entry into the Argentine market. Malaysia has been producing its own national cars for the past 13 years for both the domestic and international markets. Currently, Proton is exported to 46 countries and the leading markets are United Kingdom, Singapore, Germany, Australia and Belgium. The automotive industry has subsequently developed Malaysia's supporting automotive components sector, particularly rubber-based components, which in recent years have experienced significant increases in export performance.

24. Certainly, there is a considerable scope for expansion of bilateral trade and investment between Argentina and Malaysia. Given the numerous opportunities for trade and investment in our two countries, I believe the time has come for us to foster strategic linkages in order to create partnerships in economic development not only at bilateral but also at regional and global levels.

25. Further, existing Malaysian port facilities were upgraded and new port facilities were developed to meet the accelerated increase in demand by trade and industry. Focus was also placed on improvements in efficiency and productivity of port operations through rationalisation of processes and procedures for cargo clearance. The new Kuala Lumpur International Airport (KLIA) which will begin operation in the first quarter of 1998, will have the capacity to handle one million tonnes of cargo and 25

million passengers. Hence, with the upgrading and the increasing efficiency of Malaysian ports and the upcoming Malaysian new international airport, I believe, Malaysia would be able to serve its best facilities to Argentina for doing business with not only Malaysia but also with the ASEAN region.

FILE NAME: SP0310