

# ENGAGING CHINA

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## PM: EAEG best forum for Asean members to approach Beijing

By WONG SAI WAN

**TOKYO:** Containing or isolating China is not the way for Asean members to boost their economy, Datuk Seri Dr Mahathir Mohamad said yesterday.

The best way would be through engaging China via the East Asia Economic Grouping (EAEG), the Prime Minister said. "As China will be a member of the EAEG, challenges it poses that may be damaging to South-East Asian countries can be discussed in the forum and mitigated.

"China surely realises that a prosperous and stable South-East Asia is good for it. Poor countries are always a source of problems for rich neighbours.

"If the EAEG can contribute towards preventing China's challenge from damaging the economies of fellow members of the grouping, then China would surely want to listen and consider the effect of its challenge on the countries of South-East Asia," Dr Mahathir said in a keynote address at the

Eighth Nikkei International Conference on the Future of Asia here.

He said the proposed EAEG would continue to be a very loose grouping for a very long time, "confining itself to discussion of regional affairs and common problems."

Dr Mahathir first proposed the setting up of such a grouping - comprising the 10 Asean nations, Japan, South Korea and China - more than six years ago but it was opposed by the United States, resulting in some of these nations hesitating to support the proposal.

However, many, including Dr Mahathir, had said that to all intent and purposes the EAEG had already come into being with the annual Asean + 3 dialogues where all these same countries are represented.

Later, at a question-and-answer session with the conference participants, he said it was sad that even though the Asean + 3 dialogues had been going on, no secretariat had

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# PM: China a challenge and an opportunity

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yet been set up to facilitate the talks.

"We still cannot call it EAEG or EAEC (East Asia Economic Caucus) unless we (want to) upset certain quarters."

In his speech, entitled *China - A Challenge or an Opportunity for Asean*, Dr Mahathir said that like the European Economic Community, which eventually evolved into the present-day European Union, the EAEG would bring peace to East Asia, which in turn would be good for the region and the rest of the world.

"Opposition to the EAEG is very difficult to understand. It cannot be that there is a wish to see East Asia remaining poor."

Stressing that South-East Asia had no reason to fear China's military might, Dr Mahathir also pointed out that China had no history of expanding territorially and had not colonised another country.

"I don't think China is about to change its ways and become a colonial power."

"The clash involving China in the future is going to be economic and it will be between China and other developed countries," he said.

However, Dr Mahathir acknowledged that there were differences in defence policies among the Asean members, including some wanting the American military shield.

"Malaysia believes that if we treat China like a future enemy, it will regard us as the enemy now and respond by arming itself to the teeth."

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History has taught us that when the military muscle is strong, there is always a desire to flex it and to test its capacity.

"It is far better for China to be accepted as a major economic power. It will be powerful but it will not dominate the world."

"The United States, Europe, Japan and even South Korea will provide a counter balance."

Dr Mahathir said South-East Asia should accord China the same acceptance it gave to Japan and South Korea, which had contributed much towards the prosperity of the region, and China could also do the same.

Another saving grace for the region would be the Asean Free Trade Area (Afta), which would make member states more attractive to foreign investors, as well as a stimulus to more intra-Asean trade.

"Asean will not be a walk-over for China but life will be tough. The export-led growth will not be easy any longer."

Thus, Dr Mahathir said, South-East Asian nations should seek to produce high quality niche goods if they wanted to compete with China, just as Europe had done when faced against the flood of mass-produced Japanese products in the 1970s and 1980s.

He also pointed out that a rich China would not only be a great market for Asean products and services but there would also be a lot of Chinese investments in the region.

On the large Chinese communities in South-East Asia, Dr Mahathir said the majority

were loyal citizens and could be used to bridge economic cooperation between China and Asean.

In his closing remarks, Dr Mahathir said China was both a challenge and an opportunity for Asean, which must learn "to manage the challenges and seize the opportunities."

"The chances are that at worse a balance will be attained, but with astuteness, South-East Asia will benefit more from the opening up of the even richer Chinese markets."

When asked by a conference delegate about the bilateral Free Trade Agreements (FTAs) by individual Asean member states with third countries, Dr Mahathir said Malaysia believed that Asean should enter into FTAs as a grouping and not on their own.

"We are waiting and watching to see how the Singaporean FTAs with Japan, New Zealand and the US will be used by these countries to enter the Asean market by taking advantage of Afta."