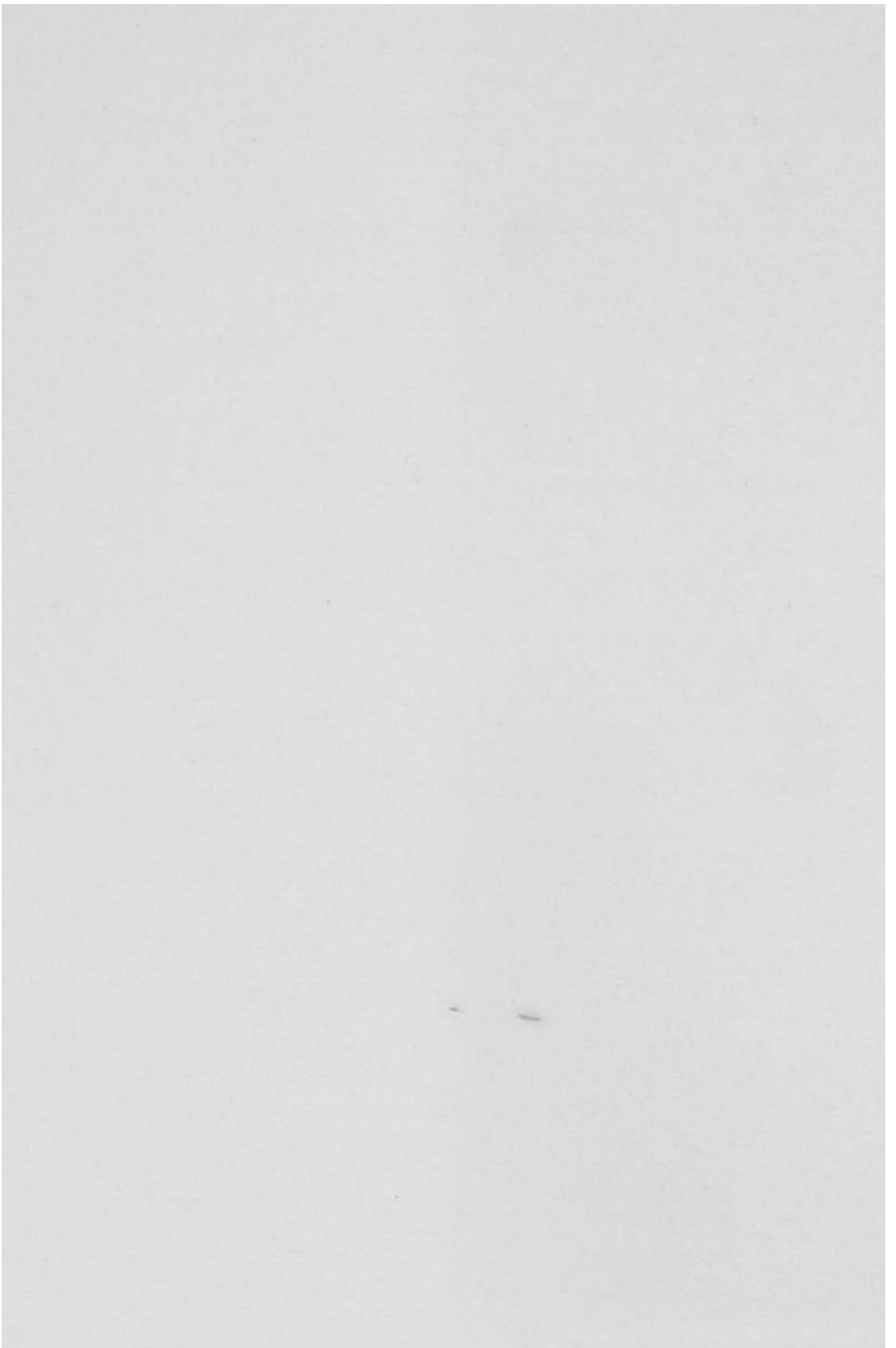


REGIONAL
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and the PACIFIC
COMMUNITY

Selected Speeches by
DR MAHATHIR MOHAMAD
Prime Minister of Malaysia

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Volume 1

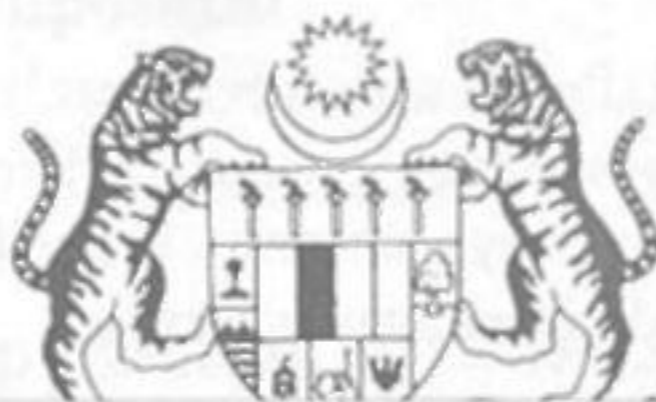


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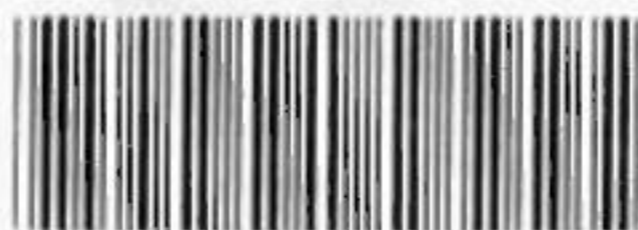
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Selected Speeches by
DR MAHATHIR MOHAMAD
Prime Minister of Malaysia

Edited by
HASHIM MAKARUDDIN



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PRIME MINISTER OF MALAYSIA**

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Visit us at www.pelancluk.com

e-mail: mypp@tm.net.my

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Contents

- 1. The United Nations World Summit For Social Development**
Copenhagen, Denmark, 11 March 1995
(Contradictions in Development).....1
- 2. The Pacific Dialogue**
Penang, Malaysia 13 November 1994
(East Asia - Achievements and Challenges).....6
- 3. The International Conference On Human Resources Development Within The Framework Of International Partnerships**
Jakarta, Indonesia, 16 September 1994
(North-South Relations: Problems and Prospects).....75
- 4. The First East Asian Young Leaders Congress on "East Asian Peace, Stability and Prosperity"**
Kuala Lumpur, Malaysia 5 August 1994.....23
- 5. The 27th International General Meeting of The Pacific Basin Economic Council**
Kuala Lumpur, Malaysia 23 May 1994
(The Pacific Era - Role of Member Countries).....31
- 6 The Opening of The Tenth International General Meeting of the Pacific Economic Cooperation Council (PECC X)**
Kuala Lumpur, Malaysia 22 March 1994
(Pacific community - Peace/Stability).....39
- 7. The Opening of The Pacific Rim Business Collaboration Symposium**
Kuala Lumpur, Malaysia 5 December 1993
(Regional Business Collaboration).....48
- 8. The Expert Group Meeting of G-15 On Exchange Of Information On National Economic Policies (EINEP) Of Member Countries**
Kuala Lumpur, Malaysia 8 June 1993
(South Response to A New Global Environment).....54

The United Nations World Summit For Social Development

(Contradictions in Development)
Copenhagen, Denmark, 11 March 1995

Although the 50-year-old Charter of the United Nations begins with the words "We the peoples of the United Nations...", this is, arguably, the first time that we meet at this level to discuss the common people and their problems; their social development. That it has taken us 50 years to do this is a measure of our commitment to the lot of the common people and an illustration of the failure of multilateral efforts, derailed for over five decades by the ideological battles of the Cold War. That confrontation, usually on someone else's soil, has undermined most of the social action plans of the UN agencies. International development efforts became predicated on the degree of support that developing countries gave to either of the two superpowers. Our regions became cockpits for superpower manipulations and their fields of battle. The developing countries and their people become mere marionettes.

The wreckages, the pain suffered and the injustices inflicted, have left many of these countries crippled, incapable of making the necessary adjustments to meet present and future challenges.

Afghanistan, Somalia and many others are among the countries that have been pulverised; their infrastructure obliterated, their people in total disarray. The marginalisation process continues even now, despite strides in science and technology.

As for the peoples of the world, the vast majority have suffered not only deprivation, but more importantly, loss of human dignity. We are looking at over one billion people caught in a spiral of abject poverty that relegates them permanently to the status of sub-species. The United Nations is faced with an enormous outflow of some 19.7 million international refugees. Admittedly, migration is a nightmare for the developed countries, but migrations also cause severe dislocations and drain the developing countries of essential human resources. It does not help that the developed countries discriminatingly welcome the skilled and the educated.

Even as the international community takes the first fateful steps into the next millennium, we cannot but be troubled by the emergence of "failed states" in the wake of the break-up and breakdown of nations. The magic of the midnight hour at the moment of independence cannot be sustained. Countries stumble and retrogress, and the people's expectations remain largely unfulfilled; paradoxically, at a time of qualitative scientific and technological advances which should have benefitted the needy the most.

Even among the developed countries, elements of a failed state can be detected. Contradictions and polarisations have surfaced which reflect possible flaws in the national direction. We see serious poverty, homelessness and joblessness, and rampant crime and drugs in pockets of these societies, even in the most advanced countries. For these countries, lessons too need to be learnt; change and adjustments should apply to them as well, especially those relating to unbridled and unsustainable high incomes and consumption, and the breakdown and decline in the moral values of their society. These countries, supposedly locomotives of world growth and paragons of standards, would do well to effect these changes instead of seeking to hold the high ground and preach to others.

We also see aspects of racism and ethnic challenges in these states. Economic decline and malaise in society have in some cases dried up the humanitarian outlooks of the past. Targets internationally agreed, such as the 0.7% for ODA, reiterated at the Summit in Rio in 1992, have been largely forgotten. There is diminishing tolerance, coupled with a rigid insistence on homogeneity with one group and one set of values. There was, for instance, a national convulsion over the wearing of a head scarf to school in Europe recently. The implications are disturbing. The future of humankind must point towards globalism, pluralism and multi-culturalism, not exclusivity of regions and blocs and the superiority of one set of values.

We remain utterly helpless as the bestialities in Bosnia and in Rwanda are committed. All of the political will of Europe could not save the thousands sacrificed in Bosnia. Chechnya is a domestic affair. However, Tian An Men is not. All of the machinery of the United Nations could not respond to and prevent the slaughter in Rwanda. Indeed, the first reaction was to retreat from danger to self.

Since the end of the Cold War, the international community has arrived at many crossroads and defining moments but we have fallen short in our collective response almost every time. We move from one major conference to another, pronouncing with lofty intention global action programmes but we have never satisfactorily made available the means of implementation. We seem to grope and to muddle through to give meaning to global inter-connectedness, but we find ourselves being only rhetorical, never quite able to distinguish between self-interest and the care and well-being of humankind and the welfare of the planet.

In the last few years, the concept of development has changed from one of synthetic economic targets to that of real economic gains, securing human needs and the optimisation of the human person at the centre of development. Obviously, the free market and selective human rights alone will not do the job. Unfortunately, the failure of Communism and Fabian Socialism has not taught any lesson. Despite the weaknesses of capitalism

and the free market, only one Western model is permitted. The obvious failures of the so-called locomotives of growth are not acknowledged. At the same time the successful economies of Asia and Latin America are not regarded as potential locomotives. Instead the high growth in these areas is regarded as a threat to the industrial North. It seems to be the agreed policy to categorise them and then put impediments in their way.

The developing world must not continue to be looked upon as a bottomless pit, meant for wasted Western handouts and welfare programmes. The developing world needs to be given its rightful place as much as the composition of the Group of Seven should be regarded as seriously anachronistic. All these require major changes in political perceptions. Also, the United Nations should cease from continuing to be a place to discipline the developing world on the basis of a Western model that "one size fits all".

At the heart of development lies the issue of governments and society. Certainly, if governments continuously fail to deliver, they should exit. The issue of governance and accountability, renewed by fresh mandates through the democratic process, applies to all, not just the developing countries. Empowerment must take into account the vulnerable groups, women and minorities that exist in all societies. In this area much progress has been made among the developing world. The days of the demigod leader are largely over.

In South-East Asia where change has been effectively managed, much has been taken stock of. The obvious mistakes of the West will not be repeated. The relevance of Government and a focused national purpose through a supportive society remains the prerequisite for development. We have left the socialistic concepts of the welfare state for a work-driven, fully participative society.

For Malaysia, growth will be tempered with equity and social responsibility. While we try to harness the positive elements of globalisation, where swift movements of capital, technology and markets often outpace governments, we remain committed towards narrowing income and opportunity disparities. I am confident we shall achieve our targets of

qualitative growth and the amelioration of every Malaysian as a composite resource in a matrix of pluralism and multiculturalism.

While in the first 25 years of independence the Malaysian Government has been the major actor in the exercise to restructure society, the private sector has not only been involved in the restructuring process of our society, but has been tasked with the creation of opportunities for economic growth in order to achieve the nation's objective to become an economically developed nation by the year 2020.

We are determined to develop the nation in our own mould along all dimensions; economically, socially, politically, spiritually, psychologically and culturally. The vision is for a Malaysian society that is democratic, tolerant and caring, economically just and equitable, progressive and prosperous, and in full possession of an economy that is competitive, dynamic, robust and resilient.

While we and our neighbours try to make socio-economic progress, we cannot but lament the external impediments which threaten to derail us. We are concerned about pressures and other means by some in the North to erode our limited comparative advantages, particularly labour and natural resources. The North had exploited fully these very same assets in their own countries and in ours when they ruled us. Now they seek to stifle our growth by involving human rights, the social clause and environmental conditionalities. Did they care for these things when they were at our stage of development?

The Pacific Dialogue

(East Asia - Achievements and Challenges)

Penang, Malaysia, 13 November 1994

In the last quarter century, we have been growing by an average close to seven percent per annum. In the last seven years, we have been growing at 8.4 per cent per year, with an average inflation rate of 3.6 per cent. Over the coming generation to 2020, we hope to grow by an annual average of seven per cent. If we can do this, we can by that year, become a fully developed country with a standard of living comparable to that of the United States today.

We take a measure of pride from the fact that we were the first country in the then "Free World" to defeat a Communist insurgency. We take a measure of pride from the fact that shortly, I will not say how shortly, we will be having our 10th general elections. We are proud of the fact that since 1955, when we held the first elections to choose the first pro -Independence government, we have had eight indisputably free elections: in 1959, 1964, 1969, 1974, 1978, 1982, 1986 and 1990, elections in which opposition parties not only won seats but have been able to take over state Governments. This is quite a record for a developing, new and newly independent democracy.

We are a democracy, giggles and cynical smiles notwithstanding. This multi-ethnic and multi-religious country, with all its difficulties and challenges, could not have made it without a healthy and sustainable democracy. God knows what would have happened had we adopted the Swedish form of democracy, or the Italian form or the Japanese form of democracy. I say this without meaning to imply that there is anything wrong with the Swedish form or the Italian form or the Japanese form. I only mean to say to each his own.

We certainly could not have made it without peace, political stability and a secure rule of law. Nor could we have made it if we are as corrupt as we are reported to be. Corrupt countries do not achieve 8 per cent growth and political stability. I will say nothing of the record in the countries of the erstwhile critics.

The Government can take some of the credit. But let me say that this country could not have achieved what we have achieved if not for the fact that our people have been willing to shed their blood in the struggle for their peace and their future. The people have been willing to toil and sweat to build this nation. What Malaysia is today is largely the result of the genius, the grit and the sweat of the Malaysian people.

Let me also add that we could not have successfully completed the journey to the present without the contribution that was made by our friends from abroad. And it is impossible for Malaysians to contemplate a successful journey to their 2020 future without the greatest contribution of our friends from abroad. It simply cannot be done.

It is because of this realisation that I would like to stress to you the importance that we place on securing as much American investment, technology and know-how as possible. A great deal has been done in the past. I believe it is not good enough. Much much more needs to be done.

According to the US embassy, the United States now sells more to Malaysia than it sells to all of Eastern Europe plus Russia. This sounds good. It is. But I believe that trade between Malaysia and the United States should also be taken to new heights.

American firms have a comparatively good reputation for technology transfer. We would like to see their reputation improve even further.

What I say of the United States applies to all of the economies represented in this room, indeed to all economies. Japan has of course played a most critical role in the saga of Malaysian development. Some now consider Japan a country of the past. I believe that it remains a country of the future.

Let me now turn to broader issues.

Let me concentrate my remarks on only three points. First, let me make the strongest case possible for a new mindset and a new crusade that all the countries here represented should join. I most earnestly believe that we must work together and for the first time in human history, for a single global commonwealth founded on the principle of cooperative prosperity.

Second, we must welcome, engage, persuade and drag the entire world into the making of the future prosperity of East Asia. It will not be just for the good of East Asia. It will be good for the whole world.

Third, we must seek to establish a new world order securely grounded not only in the idea of common prosperity, but also in mutual understanding and mutual regard.

Many of us in this room are extremely worried about the increasing attraction of beggar-thy-neighbour attitudes. There are regions that are so internally preoccupied that they are too busy to see others running fast — and past. There are regions in danger of turning inward. There are dangers of inward-looking trading blocs.

I do not condemn regionalism. Far from it. After a quarter century, we of the ASEAN Community are all too aware of the remarkable direct payoffs and equally remarkable indirect consequences of the entire ASEAN experience. We have established not only a community of peace and stability, but also a community committed by deed as well as words to open regionalism.

So long as there is this commitment to open regionalism, the opening of the regions is adhered to, I believe that every region has the right to organise itself and to cooperate among themselves. Indeed, if there is this commitment to open regionalism and this attempt to open regions, regional states do have a duty to cooperate, and thus contribute to open globalism.

But is there anyone here not concerned about the protectionist impulses that are emerging at the regional as well as the national levels, even from former champions of free trade?

With the end of the Cold War, we have, for the first time in human history, an opportunity to build a single global economic system. Given time and with the forces of globalism, this is in fact inevitable. What farsighted and enlightened leaderships should ensure is that there is a single global economic system as soon as possible. We need to ensure as much prosperity for everyone as possible. We need to ensure that we create a prosperous global commonwealth.

In the 1930s, beggar-thy-neighbour policies ran rampant. During the Cold War, prosper-thy-friend and beggar-thy-foe policies held sway. It is time for us all to adopt prosper-thy-neighbour policies. This is what we in ASEAN are trying to do with the wider Southeast Asia. We are working very hard at it.

This is what many economies in East Asia are deliberately doing. It is no less virtuous because we are doing it out of love of ourselves even more than out of love for our neighbours or our region.

Imagine what would be the consequences if all economies on this planet were to have this orientation and actively pursue these policies? Imagine the consequences if prosper-thy-neighbour policies and the ideology of cooperative prosperity were to run rampant? The 21st century will be mankind's most bountiful, greatest century.

The world took a step forward when the Uruguay Round was completed and when GATT could no longer be so easily the butt of the joke that "G" "A" "T" "T" stood for a general agreement to talk and talk. It is crucially important for the negotiated outcome to be quickly ratified. It is crucially important to build upon what has been agreed and to seek to go beyond, towards even greater liberalisation and towards greater global economic freedom.

I am proud that Malaysia ratified the GATT agreement on September 6 this year. We were one of the first countries in the world to do so. After the ratification, our trade-weighted average level of protection fell to 8.5 per cent. In the recent Budget we went further, with the most sweeping step ever taken, to unilaterally abolish all import duties on 2,600 items.

It might well be argued that unlike many other economies, Malaysia is a competitive economy, extremely open to the world, with an already liberalised market. Our protection level is already very low. Therefore, Malaysia loses nothing if other nations were to open up and the level of protection in ASEAN or East Asia or the Pacific or the world were to be brought down to Malaysia's level. Malaysia would not lose anything and would have much to gain. .

This argument is fundamentally flawed because the primary purpose of freeing one's economy and opening it to all comers is not in order to negotiate a similar opening on the part of others. In fact, the great 19th century inventors of the doctrine of free trade would be completely surprised by the argument of reciprocity. They believed that the main gain from opening one's economy and thus competing against all comers, especially the most competitive, was the gain in one's own competitiveness and strength. This is the justification for trade liberalisation. They were, and are, absolutely right. How else could the Malaysian economy have become competitive?

No economy can be competitive if it relies on the dole and on avoidance of competition with the best and most competitive. God help those who wish to hide behind high walls of protection. It is a certain formula for decay and weakness.

Let me now turn to my second argument.

Once upon a time, not long ago, East Asia consisted of economies that were uncompetitive, poor, stagnant or worse. Every economy without any exception was, at one point or another in the post-war period, given up for lost or dead. Let us not forget that till the early 1950s, there were still reports of Japanese dying of malnutrition and starvation. More than one Japanese administration despaired over the prospect of Japan ever becoming a competitive and dynamic economy.

Today, almost all the economies of East Asia are regarded in hyperbolic terms. "Miracle" is a common word. We are often compared to some of the fiercest and feared animals. This region of dominoes is now seen to be a region of dynamos. Obviously, an economic revolution of some sort has taken place.

Just about everybody expects this cumulative revolution to continue until well into the 21st century. Who am I to disagree, since the predictions are all so agreeable and comforting?

What we East Asians have to make sure is that we do not shoot ourselves in the foot or some more vital part of the anatomy. We cannot afford to give up the hard slog, the sweat, the toil, the toil and the toil. We must never, never become arrogant. I have always believed that pride always comes before a fall. We must always hold firmly to our natural Asian humility.

We must also hold firmly to our commitment to open regionalism. I have repeatedly stated that this must mean that in any regional effort we undertake, we must firstly be wedded to trying to open our region further. Secondly, we must make sure that intent is translated into reality. Our region must be further opened. This is what we have seen happen in East Asia, especially over the last two decades. Which is why we are today extremely dynamic and competitive.

In 1992, the East Asian regional economy overtook the Western European regional economy and the North American regional economy in purchasing power parity terms. In foreign exchange US dollar terms, this will not happen until the year 2000 or so.

Since the Europeans launched their effort to create a single European economy in the mid-1980s, East Asia has been the fastest integrating region in the world. For this, we have America largely to thank, because of the Plaza Accord.

Driven largely by investment, intra-East Asian trade has so far in the 1990s been increasing at the rate of 20 per cent per annum. With intra-East Asian trade standing at 43 per cent, the East Asian regional economy is more integrated than the NAFTA regional economy. Unlike the European and NAFTA case, our massive regional integration, which continues to accelerate, has been entirely private-sector driven. It has been the consequence purely of market forces. In the years ahead, this must remain so.

To cut a long story short, what I would like to emphasise is that we must warmly welcome, strenuously engage, vigorously persuade and drag North America and Western Europe, if necessary, by the scruff of their necks, into the making of our economic future. Without neglecting anyone at all, while ploughing every field in every part of the world, our primary strategic target must surely be the North American and Western European firms of every size — the huge, the big, and the small.

The European Union and the World Bank now say that by the year 2000, which is only 61 months away, there will be 400 million East Asians with the per capita income of North America and Western Europe. In other words, there will be more East Asian consumers with high purchasing power than North American or European consumers with high purchasing power. The IMF says that between now and the year 2000, the total world GDP will rise by US\$7.5 trillion. More than half of that increase will be produced in East Asia.

Despite all these mind-boggling statistics, many of us still feel that most of the rest of the world has yet to wake up to the East Asian opportunity. And of course, far too many are only content to see us only as "the East Asian threat".

Let me now proceed to my last point. I do believe that there really is a great need to have much more mutual understanding and mutual regard.

There are now those who see the future in terms of the "clash of civilisations". Samuel Huntington ended his Foreign Affairs article by calling for co-existence between the world's great civilisations. I think that Professor Huntington is very wrong and his conflict orientation is very dangerous. But the point I wish to stress is that co-existence is not good enough. Why can we not set a higher objective? Why not mutual understanding? Why not mutual appreciation and regard?

Exactly one month ago, at the "Europe/East Asia Summit" organised by the World Economic Forum, I challenged the Europeans to not only understand us, but also to appreciate pluralism.

Let me make myself perfectly plain. Bad governance should attract the condemnation of all mankind. Atrocities are atrocities, wherever they occur. No atrocity is in any way less of an atrocity simply because it is Asian.

But I asked the Europeans why it is that so many from Europe understand and appreciate the fact that Asian music should develop along its own path and should not be great imitations of the Beatles, Aznavour and Mozart. And yet so many cannot tolerate any Asian form of governance that is not a fair copy of the European form.

Why is it that so many from Europe understand and appreciate Asian art and celebrate its enormous diversity and take it as only natural that it is not a carbon copy of European art? And yet so many insist that Asian ways of business and economics, politics and administration cannot be legitimate unless they are carbon copies of European ways.

Why is Asian music, art and literature celebrated because they are so uniquely different from European music, art and literature and yet Asian values and ways of governance, politics and economics are so villified and detested by so many, when they are found to be different?

I informed the Europeans that there has to be a greater equalisation of humility and the disappearance of what some will call incredible arrogance.

As an Asian, I am very proud of the achievements that East Asia has been able to make in recent times. We have a peace that is more secure than at any time in the last century and a half. Nevertheless, there is a long distance still to go.

We have seen the march of democratisation, people empowerment and human rights with a breadth and depth seldom seen in the history of mankind. It is unparalleled. It cannot be stopped. Life expectancy in Shanghai now exceeds life expectancy in New York. Yet we are only at the beginning of our long journey. And we cannot sit back with folded arms and be satisfied with what has so far been achieved.

Very recently, the European Commission issued a path-breaking policy paper. It was called "Towards a New Asia Strategy". This paper argues: "Asia's growing economic weight is inevitably generating increasing pressures for a greater role in world affairs. At the same time, the ending of the Cold War has created a regional environment of unparalleled political fluidity. Consequently, the European Union should seek to develop its political dialogue with Asia and should look for ways to associate Asia more and more with the management of international affairs, working towards a partnership of equals, capable of playing a constructive and stabilising role in the world."

I do not know whether these words will be turned into reality. But perhaps the European Union is on to the right path. At this stage, I do not believe that East Asia even thinks of equality. But we do demand some respect. Perhaps, in the days ahead, we will be entitled to a little.

***The International
Conference On Human
Resources Development
Within The Framework
Of International
Partnerships***

***(North-South Relations:
Problems and Prospects)***

Jakarta, Indonesia, 16 September 1994

I would like, if I may, to share with you some thoughts on the topic "North-South Relations: Problems and Prospects".

The North-South divide is, as we all know, the perpetuation of the old relations between the imperial powers of the West and their colonies. Having gained independence, the former colonies expected to have a relationship as between equals with their former colonial masters. But they soon realised that this was not to be. All that has happened is a name change from being colonies to being the South and the ex-colonial masters are now called the North. Oppressive pressures are now less direct and are applied in the name of democracy and human rights instead. But the effect is the same. The ex-colonies or the South must submit to the North, to rules and regulations and policies devised in the North for the North.

So, how do we conduct the relations between the South and the North? How do we solve the problems arising from this unequal relations in the context of the present? To do so we need to review the development in both the South and the North after colonialism went out of fashion.

After gaining independence, the majority of the countries of the South have been embroiled in political struggles for control of the Government. Initially there were attempts to practise democratic forms of Government. But since as colonies they were all governed autocratically by their colonial masters, it is not surprising that they found democracy unmanageable. Many chose some form of one-party state with a bias towards Socialism, if not Communism. State enterprises and state control were the preferred routes for achieving equitable distribution of wealth among the people.

We have now learnt that socialism just does not work. The idea that the state can provide every need of the people in a poor country is just unrealistic. A rich country may be able to do so to a certain extent. But poor countries just cannot deliver. It is no wonder that many Governments in the South failed. The Socialist ideology rejects direct foreign investment. Since state enterprises were often badly run, Governments were forced to subsidise losing state and para-statal bodies. Being poor, the Governments were not able to do this adequately. In the meantime, the prices of commodities that were produced in the South kept decreasing due to their total dependence on the markets controlled by the North. Their imports of manufactured goods from the North, on the other hand, kept on appreciating in price. The terms of trade deteriorated and the South became poorer than when they were under colonial rule.

Failure to provide for the people's needs and to achieve economic growth led to political instability. Governments were changed, but the administration did not improve. As a result, the aid received and the loans obtained were not productively employed. Indebtedness grew until the flow of funds was reversed, more going North than South, from the poor to the rich.

With the demise of the USSR and Russian adoption of the free market system, most Socialist states in the South had to jettison their ideology. Besides, they were also pressured by the Western democracies to adopt a multi-party system and the free market or face punitive measures.

The old problems returned. How do they manage a democratic Government which neither the people nor the elites are familiar with? A one-party Government is easy, but to submit to the people's whims merely complicates the process of Government. The result is political instability. In some states, Governments change with bewildering frequency without any programme being able to take off.

As for the economy, how do countries which have known only state monopolies, with no private entrepreneurs, private capital and management skill, switch to the free market system? If they do succeed at all, all kinds of pressures are brought to bear on them by the North. Their Governments are subjected to all kinds of criticisms and condemnations. They may succeed in embracing democracy and the free market, but they are always found wanting. They are not democratic enough, they abuse human rights and workers' rights, they pollute the environment, they are corrupt, etc. In other words, try as they might, they cannot free themselves from carping criticisms by the North, and often times from overt pressures.

In the meantime the North, after losing their colonies, decided to consolidate their position. A European Economic Community was created which eventually evolved into the European Union, a trade bloc, pure and simple. While before the South could deal with separate countries and even play one against another, they have now to deal with a solid bloc of rich and highly sophisticated countries. The South remained as divided as ever. And so commodity prices from the South could easily be manipulated, while the manufactured goods from Europe go up continuously in price.

The United States did not join the Europeans, but then the U.S. by itself is as rich as the whole of Europe. It could apply its own pressure without the need to get European concurrence. During the Cold War, the North felt a the need to win over the South for fear of them siding with the Eastern bloc. But once the Cold War was over, the South lost this option too and became very vulnerable.

Had the North been made up entirely of Europe and America, the South would really be economically battered. There was nothing to prevent the North from fixing the prices of their raw material imports and their exports of manufactured goods. Their people were continuously demanding higher standards of living. To meet these demands, they merely increase the prices of their manufactured products and their profit margins. If the people in the South could not pay, it was really just too bad.

However, Japan emerged as an industrial power with the ability to produce practically all the manufactured goods hitherto produced only by the industrialised West. The Japanese business philosophy differed from that of the West. They believe in market share rather than margins. Having overcome their reputation for poor quality goods, they went on to produce and market quality goods at very low prices.

There is no doubt that but for the Japanese business philosophy, most of the people in the South would not have been able to afford such products as automobiles and pick-up trucks, radios and TV sets, and household appliances.

Resisted at first, the Japanese finally penetrated the markets of Europe and America. Suddenly the industrial West found themselves unable to dominate the very sector that they created and excelled at. They lost huge segments of their market, not only in the developing countries but also within their own countries. Their automobile, steel, and appliances industries began to shrink. Joblessness increased so that now the average is 11 percent in Europe and 7 percent in America. Ironically, it is at such times of recession that the Governments need to spend more on unemployment benefits.

But they are not about to change their lifestyles. High wages and the dole system continued whether they can afford them or not. In the European Union, countries which had low wages were actually subsidised in order to keep wages as high as in the high cost countries. They would rather have high unemployment rates in these countries than allow intra-European competition. The result is that they remain uncompetitive in the world market.

To make matters worse, there emerged in the Far East more little Japans. South Korea, Taiwan, Hong Kong and Singapore showed that they are as capable as Japan of competing with the West. A new term was introduced - The Newly Industrialising Countries or the NICs - the countries which can really prevent any return to the good old days of Western dominance of world trade and the good life. The labelling is deliberate. Action must be taken against these NICs to curb their growth.

Suddenly the welfare of the people, the workers and the environment in the NICs and other economically dynamic developing countries became a matter of concern to the West. These countries must become democratic, or if they are already democratic they must be more democratic. They must practise Western values with regard to human rights and workers' rights. They must not endanger or damage their environment.

All these care and concerns for human rights and democracy are laudable except that the obvious results of applying Western standards would be to knock out the competitiveness of the manufactured products of these countries. It must be remembered that about the only comparative advantage the developing South has is their lower cost of labour. This lower cost is not due to exploitation. It is just that the cost of living is low in these countries. On the other hand, the North has many advantages. They have the capital, the technology, the rich domestic market and the management skills. If lower cost of labour is taken away from the South, the result is not a level playing field. It would be an acutely tilted playing field with the South at the lower end. Their economic progress would come to

a dead stop. It is questionable therefore whether the concern is for the good of the workers in the South. It is far more likely that it is to protect jobs in the North.

As for Japan, the country that had spoilt the market dominance of the North, apart from protectionist measures, pressure was applied to increase the value of the yen. Although Japan succeeded in countering this initially, the subsequent squeeze brought about the expected results. Japan went into recession and all its exports lost their competitiveness.

This is the situation that now prevails in the relations between the North and the South, the former colonial powers and the ex-colonial territories. The problem is that the North cannot quite reconcile itself to the loss of its colonies and its dominance over the world's economy. Mere political dominance in a unipolar world is apparently not enough for the North.

The South is not without blame. Enamoured with Socialist theories, they have largely failed to make independence bring about stability and prosperity. Far too much time was expended on political struggles to gain control of the Governments. Since every Government was roundly condemned by the North for all kinds of sins, there were always aspirants who were encouraged to overthrow the current Government. And about as soon as a new Government is set up, it too would be roundly condemned and its overthrow encouraged. It is a game of musical chairs.

Clearly, if there is going to be a solution, the mind-set must be changed, both by the North and the South. Although it is admitted that the South is more dependent on the North, to some extent at least, the North is also dependent on the South. To beggar the South is really not in the interest of the North.

When Japan was rebuilding its shattered economy after the war, it zeroed in on the developing countries as its primary market. But these countries were generally poor and poor people do not make good business clients. Whether by accident or by design, Japan started to invest in production facilities in the South, in particular the ASEAN countries. Almost without exception these countries prospered. Naturally they then became good markets for Japanese products. Indeed, the Japanese

manufacturers tested their products in South-East Asia. And from South-East Asia, the Japanese moved on to market their products in Europe and America.

Clearly, Japan's investments in South-East Asia helped develop these countries, and in return, these countries provided Japan with good markets and helped the process of Japanese industrialisation. Malaysia, for example, would not be where it is today without the initial Japanese investments. It is both the location for massive Japanese investments and a lucrative market for their goods and services.

Today, foreign direct investment is an acknowledged method to develop a developing country's economy. Of course, now not only Japan but even the NICs are investing and contributing towards economic development and wealth creation everywhere in the South. And new and rich markets have been the result, markets for the Japanese and the other countries of the North as well as for the NICs. Beggar them and the North will lose the markets.

The lesson here is that it pays to help others get rich. If the North wishes to recover economically, the best way is to invest and enrich the South. Trying to stifle their growth by insisting on social clauses and unilateral import restrictions will merely impoverish the South and deprive the North of potentially good markets. Worse, the poor in the South will migrate North. They will go by the millions to escape poverty at home. Even today the North is having problems with migrants. Impoverish the South and the problems will multiply.

It is true that a fast developing South can also be a threat to the North. With their lower cost of labour, they may push out some of the products of the North. But the North is too far advanced in technology and too rich in capital for the South to totally displace the North in the marketplace. Certain niches are bound to remain with the North. And these, the North can exploit. In the aerospace, telecommunication and computer fields, to name a few, the South will always remain far behind. Let the South produce the garments and other low-tech products in order for them to grow economically. Instead of trying to force them to limit their population, help them to provide good

education and to earn a reasonable living. Surely it must have been noticed that the best way to slow down population growth is good education and urbanisation of the people. People living in the towns and cities just cannot afford to have too many children even though their incomes may be higher. It is not by accident that poor countries have high birth rates. If they have no other asset, then they must regard children as their only asset. It is the only thing they can have more of without additional capital outlay. What happens to the children is not of major concern. Any loss can be made up.

What then are the prospects for North-South relations? The answer is not very good at the moment. They are not good because the basic premises are all wrong. They are not good because the strong and the rich are not willing to change their attitude. They want to perpetuate colonialism in other forms and by other names. They are not good because the South is still fumbling with democratic forms and the complexities of the free market. And for a long time they will continue to fumble.

The South may be weak and poor. But there is no way they will return to the subservience of the past. They may not be able to do much, but their resentment will be palpable. Imagine billions of these resentful people overflowing their borders.

In the days of colonialism, there were a few in the North who felt strongly that colonialism was wrong. They threw their weight behind the people in the colonies. Gradually their views won acceptance by the majority in the North. Colonialism became a bad word. And nations which were victorious in the last war suddenly acceded to the dismantling of their empires.

Is it possible that some intellectuals in the North will see that the treatment of the South by the North is wrong and dare to point this out to the peoples and the Governments of the North? Is it possible that a new dialogue between North and South be initiated in which both the North and the South will be guided by more enlightened people?

I do not have an answer. But unless and until there is a sincere effort to discard entrenched mind-sets, the prospects for North-South relations are not going to be good.

The First East Asian Young Leaders Congress On "East Asian Peace Stability And Prosperity"

Kuala Lumpur, Malaysia, 5 August 1994

There are times in the affairs of mankind when history takes a definite turn. This could be such a time. For much of world's history, Asia was the centre of human civilisation. Asia contributed considerably to the development of the human society and its civilisation. Asia led in the arts and the sciences and the sum total of human knowledge.

Asia had its share of wars and violence, but by and large, it was more peaceful than Europe ever was. Although history books seem to suggest that Asian empires appeared and disappeared with startling rapidity, in fact they were durable, each lasting hundreds of years. And the Imperial courts patronised the arts and the sciences, causing them to bloom. There may be people who think that just because the Cold War is over there is no more history, that history has come to an end. I don't pretend to understand this conclusion. But I think you will agree with me that the end of the Cold War marks the beginning of a new era.

You, as other movers and makers of East Asia's future, should prepare to play a role in the making of this new history, history in which Asia once again becomes the most important cradle of human civilisation.

Asian history has for too many hundreds of years been an appendage of European history. Our lives have, for much too long, been too dependent on the events and aspirations of nations elsewhere.

It is time to dedicate ourselves to a non-confrontationist, non-xenophobic Asian Resurgence, a movement driven not by the outside or by resentment or anger, but by our own ambitions for our own people, our own countries and our own region. It is time to commit ourselves to that long and awesome process whose final destination should be a durable and comprehensive Asian Renaissance founded on the finest traditions of Asia and on Asian ethics.

The challenges are enormous. Much will depend on how much peace, how much stability and how much prosperity we can generate for our people and for the region in the decades to come.

Obviously, Asia must advance over the broadest geographical front. -

But I suspect that much of the inspiration, the impetus and the drive for an Asian Renaissance, if it ever were to come, will come from East Asia.

Certainly, we in East Asia can look back with some degree of pride on what we have been able to achieve over the last few decades. It has been a period of massive trials, tribulations and transformations. Fortunately, it has also been a time of achievements most remarkable.

Most of the region is now a marketplace —filled with the ringing sound not of bugles and bullets, but of bazaar bargaining and stock market babble, of pile-driving steam hammers, of roads and harbours and magnificent edifices, of progress and growth.

There are still disputes and threats and words spoken in anger. But the forces that are at work are not those of war and conquest, but those of the market.

But not for a century and a half has the strategic environment of East Asia been as good as it is today. We can take reasonable satisfaction from this.

Let us nevertheless all regard what we have achieved as only the first instalment towards the Asian Renaissance that I speak of.

Let me now turn to the third leg of the Asian Resurgence that has already begun and the most basic foundation of the Asian Resurgence yet to come: our dynamism and prosperity.

After all the current talk of "the East Asian Economic Miracle", it is important to remind ourselves how often in the past, the leaders in the East threw up their hands in despair, as they predicted not "an East Asian Economic Miracle" but "the East Asian economic morass".

At one point or another, every economy in East Asia has been assumed to be an economy without hope. A ton of learned treatises explained why we were condemned to economic stagnation or worse. Even Japan had grave doubts about the future of the Japanese economy. Indonesia and South Korea were regarded very much in the way that the worst sub-Saharan African countries are regarded today.

The learned analysts have been confounded. This region of yesterday's "dominoes" is now clearly a region of humming dynamos. We will be the primary source of tomorrow's growth and dynamism for the rest of the world.

But there can be no resting on laurels. The vast proportion of our peoples are still poor. For them, the Economic Miracle, the economic growth rates are quite irrelevant. They have no share in it.

But first, let us ensure that the present peaceful relations between East Asian states are prolonged. We did not really work towards it. But let us not let the accident of peace be allowed to end in another accident, that of war. We must now actively promote peace between us and peace among us.

I think it was the ancient Romans who said, "To have peace you must prepare for war." But really, we cannot afford to spend so much on military preparedness. Today's weapon systems are just too costly. We will be bankrupting ourselves trying to deter each other. We will be creating tensions and tensions between nations do not encourage economic investments and long-term development plans. We will not have the money for development.

It should be the adage of the modern East Asia that: if you want peace, prepare for peace, work for peace, fight for peace — fight for peace with the resolve and the resources that are generally reserved by nations for the prosecution of war.

In the cause of cooperative peace — cooperation to build an East Asian region of peace, friendship and tranquility — obviously there are many things we must be prepared to do unilaterally. Reassuring our neighbours, abiding by the rules of international law, negotiation instead of confrontation, ensuring domestic stability and order, behaving with sensitivity and responsibility, and leading by example.

Because it does not have the glamour of multilateralism, what is forgotten is that a great deal does hinge on the development of good bilateral relations. All of East Asia will become a region of amity and goodwill if we can build a seamless web of friendly bilateral relations.

There are things that we can do at the United Nations and at the global level in pursuit of our commitment to cooperative peace. There are contributions to be made at the minilateral level, in terms of the smaller region, and in terms of the bigger region of East Asia. We in the ASEAN community can never afford to neglect ASEAN. ASEAN can be a base and an example of a much wider East Asian Cooperation.

Choosing to build an East Asian region of peace does not mean turning away from other concerns, other interests and other regions. We should not. Indeed we could not, for all of us are trading nations. We need the rest of the world. The richer they are the better customers they will be.

Fortunately, nations can do many things at the same time. The nations of East Asia have no choice but to do a great many things at the same time if they wish to make the necessary contribution to peace, if they are committed, as they should be, to peace.

We have almost all done well if not very well. An East Asian regional economy, integrating at a remarkable rate, is rising at breathtaking speed. The integration has been private sector driven, a source of real strength. In purchasing power parity terms, East Asia is already the largest regional economy in the world, bigger than the Western European or the NAFTA regional economy. In US dollar terms, we will enter the 21st century being the largest regional economy in the world.

Will we enter the 21st century as the object of international economic relations or as a full subject of international economic relations? Will we be "the prize", the victim, the economic battlefield of the 21st century, with no say in the wider world, whose rules will be decided elsewhere? Or will we be full-fledged actors, able to play our rightful role in global economics, and able to make the contribution we must to the healthiest development of the commonwealth of man?

On the issue of peace, I have spoken of the criticality of self help and unilateral action. I have also stressed the need for cooperation between us.

On the issue of prosperity, also, let me stress the importance of self help and individual action.

Just as I believe in the importance of ensuring an East Asian system of cooperative peace, I believe in an East Asian system of cooperative prosperity.

We will compete against each other. We must compete against each other. But we must also cooperate with each other. And we must establish processes of cooperative prosperity with each other, especially as our competition mounts, especially as our enormous interdependence escalates.

This is why I proposed the idea of the East Asia Economic Group, now called the East Asia Economic Caucus.

Since the campaign of lies and deliberate disinformation on the EAEG or EAEC concept has been so strong, let me for the umpteenth time explain what is the EAEC.

Malaysia is opposed to the creation of a preferential trading arrangement, or a free trade area, or a customs union, or an economic union for East Asia. What we wish to see is the establishment of a loose consultative forum for East Asia. This forum should have both a regional and an extra-regional agenda.

In pursuit of the regional agenda, the economies of East Asia should meet at the ministerial level to discuss how we can enrich our regional economic cooperation. In pursuit of the extra-regional agenda, we should discuss how we can cooperate to ensure an open, non-protectionist, healthy global trading and economic system.

Second, although regional trade is crucially important, we should not be confined to trade. There is much that can be done with regard to optimising joint development zones, trans-border investment, technology sharing, tourism, even labour flows. The areas for cooperation — from privatisation to infrastructure development — are too many to enumerate.

Third, on matters related to world trade, we must be champions of free and fair trade.

Fourth, we must champion the cause of "open regionalism". If we agree to do something on regional trade, we must ensure no new or higher measure of protection and discrimination should be introduced against those outside East Asia. When others decide to do something on regional trade, we should act to ensure that they too adhere to the principle of open regionalism.

Fifth, we should aspire to be a model for true North-South cooperation.

Sixth, we must contribute to the security and well-being on the part of all the economies of the region.

Seventh, whatever cooperation we embark upon should be grounded in the principles of mutual benefit, mutual respect, egalitarianism, consensus and democracy. Each one of these basic principles is basic in itself.

At the same time that we pursue these ends, we should ensure that we are not confrontationist, that we are not bullied and intimidated and that we do not damage ASEAN, APEC, and other established processes; we should not allow others to divide the Pacific, ASEAN or East Asia; we must not be cowed from speaking out against racism, exclusivism and attempts to create closed trading blocs.

And finally let us not be afraid to uphold and defend Asian values. We are fortunate in that we could see the results of the experiments with new ideologies and values by others. While the democratic Western liberals may claim victory over the Socialist/Communist ideologies of the East, the West itself is far from being the ideal society. Materialism and extreme hedonism has resulted in the collapse of the family and the institution of marriage. Homosexuality is of course found in all societies, but when it is accepted, and even glorified, then the practice will spread even among those not ambiguously created by nature. Now the law permits men to marry men and women to marry women. Worst still, incest - marriage between brother and sister - is no longer condemned. And soon father and daughter, mother and son will pair off.

Individual freedom knows no limit. In the name of individual freedom anything can be done, even if it hurts the community. Liberal democracy is sacrosanct and may not be tampered with even when it is obviously destroying society and more. And all the while, new freedoms are invented and old values derided.

Asian values are old and orthodox. The old, the parents, the teachers, they are respected. The community comes before the individual. The family is extended and is responsible for its members, not the Government. These are but some of the values which we accept and practise. They have not destroyed our society. Indeed, they have helped us to maintain a balance in the contest between evil and good, in a world that is getting ever more confused. We should hang on to them despite the sneers of the liberals and the modern.

I think I owe it to you to explain why I believe in the East Asian future that I have advocated above.

What I am suggesting for East Asia is what has already worked for ASEAN.

After a quarter century, the ASEAN Community is now a haven of peace, of stability and of prosperity.

History can never be made to repeat itself. But it can be a great teacher and the source of great inspirations.

I ask you now: why not an East Asian zone of peace, of stability, of prosperity? If we achieve it, we may change the course of history; directly, the future of more than a quarter of mankind in the East, indirectly, the destiny of mankind.

An Asian Renaissance will not come in my lifetime. I pray that it will come in yours.

The 27th International General Meeting Of The Pacific Basin Economic Council

(The Pacific Era - Role of Member Countries)

Kuala Lumpur, Malaysia, 23 May 1994

It is not the great leaders of the Pacific who are the most important builders of the Pacific community that is yet to be. It is not the officials and bureaucrats who will build the Pacific community of cooperative peace and prosperity that I hope will flourish in the 21st century.

It is not the great intellects and the powerful media that will construct the Pax Pacifica that will be worthy of the aspirations of the peoples of the Pacific. Most certainly, all will have to rise to the challenge. At some point or other, all will have to play the most critical of roles.

Yet, right or wrong, it is simply my view that the most important sustained builders of the Pacific community that must be built in the days, weeks, years and decades ahead will be the workers, managers and entrepreneurs of the business communities of the countries of the Pacific rim.

I do not say this because I am speaking before so many captains of industry and commerce of this vast region, before so many of the business leaders of the Pacific. I have repeatedly

stressed this point at meetings of government leaders and at other meetings where such a view is often regarded as heretical. I might as well repeat it before an audience which must regard such a view as merely obvious.

I am sure we can all agree that peace and stability are essential pre-requisites for the Pacific Age. Without peace and without stability, all the basic assumptions on progress have to go back to the drawing board. Fortunately for us in the Pacific, not perhaps for 150 years has the strategic environment been so conducive for peace and stability. In so many parts of the Pacific, peace and stability have already broken out or are being strengthened.

I am fully aware of the awesome conflict potential in the Korean peninsula that could change the entire strategic picture and future of the Pacific. I know of the possibility of the division of Canada. I am aware of the issues in Mexico and some of the internal security concerns in north and central America. But I am very confident that China will not break up, that the Japanese are not going to lose their senses and there will be no violent maritime conflict in the region.

All these and other security issues that will be thrown up in the course of time can't be dealt with the old mind-set of confrontation, power and deterrence, which can never create a warm and cooperative peace, which can only guarantee the rigidifying of a status quo and the vicious circle of enmity, armament, suspicion and hatred. To be sure, there are circumstances under which there is no better choice. But the Pacific of today and tomorrow, is a Pacific of better choices.

There are now tremendous opportunities to go by a different path, to cooperate with those with whom one disagrees, with whom one has yet to come to an agreement. There are so many opportunities to work with those whose perspectives and interests differ from one's own, yet presents possibilities of harmonisation, or at worst an agreement to agree to disagree without being disagreeable. This is the path of cooperative security, of trying to get along, of trying to understand one's adversary and the security concerns of others, of trying to accommodate and to embrace, to strengthen acquaintanceships, to build the bonds of friendship.

It is a central paradox of peace-making that true peace is best made when there is peace. It is too late when the clouds of conflict have begun to gather. Now and in the years ahead, to ensure the Pacific Era that we want to see, we must together work intimately and diligently to build a Pacific Peace worthy of the name of the ocean which washes all our shores.

It also seems somewhat obvious that we should build not only a community of cooperative peace, but also mutual prosperity. I believe there are at least two pillars for such an endeavour which should be stressed at this point in time.

The first is to ensure a Pacific market system which unleashes the ferocious force of enterprise and catalyses all the synergistic potential of the Pacific. The second is to ensure the development of a Pacific economic system is firmly wedded to open regionalism.

We have seen the bankruptcy of the central command economy. On the other hand, we have seen what can be done when markets are opened and liberated and when goods and services are freed to respond to the commands of the marketplace rather than the specific targets and dictates of bureaucrats, planners and politicians. We have seen what China has been able to achieve, what Vietnam has been able to accomplish. We should seek the further opening of the transition economies and the wedding of all our economies to the market system.

What makes sense within the context of the domestic economy makes sense also within the international and Pacific economy. The command economy makes nonsense in terms of domestic economics. It makes nonsense in terms of the international economy.

Our Pacific Era must also be built upon the firm foundation of a liberalising Pacific economic system that is fast reducing the obstacles to the flow of goods and services. I believe that we owe it to the world and to ourselves to also proceed on the basis of lowering the obstacles to businesses located outside the Pacific Rim. A mercantilist Pacific makes as much sense as a mercantilist Canada or a mercantilist Japan or a mercantilist United States.

However macho we are on the Pacific, we must never forget the global community. I believe we must escape the trap that has been a source of weakness in Western Europe. It is very difficult to find Europeans who believe that they are incredibly Euro-centric. At the same time, I am confident most of you will agree with me when I say that it is difficult to find Europeans who are not in fact, whether they know it or not, incredibly Euro-centric.

We of the Pacific must never forget our global frame of reference and our global frame of operations. The Pacific community which we should seek to build must not be inward-oriented and discriminatory towards the rest of the world. We would be foolish if we of the Pacific get together in order to circle our wagons, to raise the barricades and to keep everyone else out. Our Pacific community must be open to the world, to the exports and the investments, technology and comprehensive economic penetration of the rest of the world.

Even as we must be committed to open globalism at the global level, and to open super-regionalism at the Pacific level, we must be committed to open regionalism in all the various regional schemes upon which we embark. The North American Free Trade Area (NAFTA) and the free trade area between Australia and New Zealand (ANZCERTA) must all seek to reduce the barriers to external economies as well as reducing the barriers to the participating member states. The same must hold for whatever is tried in East Asia. Any East Asian scheme for economic cooperation, including the EAEC, which has been the victim of so much deliberate misinformation, must be wedded to this idea of open regionalism.

I have so far outlined what I mean by 'cooperative peace' and 'cooperative mutual prosperity'. Let me try to clarify what I mean by the term 'a true Pacific Community'.

I believe that the true Pacific community that has to be patiently built must be robust, must be infused by friendship and a sense of community. It must be egalitarian and democratic. And it must be beneficial to all of the members of our Pacific family.

It must be a community that will endure, not a Pacific construct founded on a transient passion or a temporary association of convenience that might be here today and gone tomorrow.

We should understand, indeed welcome, the enthusiasm of those who have just discovered the Pacific. But the building of such a true Pacific community is not a task to which we should come with wide-eyed romanticism, idealism or impatience. There is little room for romanticism and every reason for being realistic, for exploiting pragmatism to its fullest potential. Our idealism must be without illusion. There is need for a constructive impatience but an even greater need for sobriety and the stamina of the long-distance runner.

We must be prepared for a journey of a thousand miles. Not because there is virtue in long journeys, but because the journey towards a true Pacific community must of necessity be long. This is unfortunate. But that is the way that it is.

Second, what we must build, I believe, is a relationship between us based on a sense of community, "as within a family or a group of friends".

A true Pacific community, a Pacific village or family or group of friends will need to be founded on knowledge, familiarity, understanding, empathy, mutual regard and mutual respect.

Let us face the facts squarely. Many of us around this Pacific Rim are as strangers, whose acquaintanceships with each other can be measured in terms of months rather than years. Many of us hardly know each other, are hardly familiar with each other. It can be no surprise that there are enormous gaps in understanding. Indeed, in basic knowledge.

At present there appears to be a gross imbalance not only in knowledge but also with regard to mutual respect. One is sometimes tempted to think that those who know least about others are the most likely to tell them what they should be doing with regard to the running of their present, and the making of their future.

My advocacy of egalitarianism and democracy is not an attempt to fly in the face of reality. In life, some will always be more equal than others. Chile is not Canada. Canada is not China. Hong Kong is not Japan. And Japan is not the United States. Even within the family, we know that there are older brothers and sisters. But the play of power and size and leadership should take place within a roughly egalitarian framework. Although the different shades of grey will be there, we all know when something is definitely non-egalitarian and when something is clearly egalitarian. Whatever may have been the record of the past, in the future, a true Pacific community cannot be built on the basis of hegemony and imperial command.

We are also deeply committed to the building of a Pacific community that is democratic and consensual and that operates on the basis of democratic and consensual principles. We all know how frustrating democracy can be. But it is the best form so far devised for the governance of society. This is as true for the governance of a civilised community of states, as it is true for the governance of a civilised community of citizens.

We all know how infuriatingly difficult it is to get a consensus, especially when so many from so many different backgrounds, perspectives and interests are involved. But what is the alternative? To pretend agreement when there is none? To go through the motions of adopting the finest formulation of words, with no intent to see them through and to honour them in the spirit as well as in the letter? To sign agreements and to mount the most intense search for loopholes even before the ink is dry? What is the alternative to building a community through consensus? To bulldoze? To bludgeon? To bully? You can legislate for some things. But you cannot legislate for a meeting of the minds, for a feeling of sympathy and affection between friends and the bonds that bind a family together. A true Pacific community can only be built through the deepening and widening of consensus over a large range of shared ends and shared perceptions on the means.

Most obviously, it is extremely important for all who are involved in the Pacific process of community building to feel that they are benefitting, that they are getting something they would otherwise not get.

There are those who believe in historical inevitability — and the historical inevitability of the Pacific as the future economic centre of gravity of the world. I believe that things are inevitable only if we make them so.

Our 'Pacific Era' will be stillborn if we quarrel and fight amongst ourselves, if we divide the Pacific, if we create discriminatory trading blocs, if we draw a line down the Pacific, if we are unwilling to extend to each other the normal rules and regulations — like the Most Favoured Nation (MFN) status — that are the norms between trading economies.

I am sure you will also agree that a 'Pacific Era' cannot be sustained if we do not play fair, if we do not open more fully to each other, if we do not further liberalise our economies.

I am sure you will also agree that a 'Pacific Era' will not be fostered if we do not engage fully all the dynamic possibilities of working together; if we do not exploit all the synergistic opportunities afforded by the fact that each of us has different strengths and comparative advantages.

Obviously, Governments have a major role to play. But I do not believe that in the foreseeable future Governments have all that great a role to play. The Almighty help us if we were to create the Pacific analogue of the 'Eurocrats' who have played such an interventionist role in Europe.

To try to build a Pacific community along the lines of the European Community would be extremely disruptive and damaging to the long-term building of a Pacific community. The conditions are not there. It would be disastrous.

Instead of a ton of legal documents, a phalanx of bureaucracy forcing the pace of integration; instead of an artificially forced process, what Governments should do is merely establish the framework within which people-to-people contact can flourish,

the ambience and framework within which entrepreneurs can go about their daily business of profiting from Pacific dynamism, thereby building the relationships of investment, trade and comprehensive economic interdependence which are the brick, the steel and the cement of our embryonic Pacific community.

Let me therefore end as I began, by stressing the importance and the role of the private sector. You, ladies and gentlemen, are the most important builders.

Prosper from the Pacific. Prosper with the Pacific. Build the web of mutual regard, interdependence and common interest that will withstand the test of time. No more solid foundation can be found for the making of a Pacific Era that hopefully will span and go beyond the 21st century.

The Opening Of The The Tenth International General Meeting Of The Pacific Economic Cooperation Council (PECC X)

(Pacific community - Peace/Stability)

Kuala Lumpur, Malaysia, 22 March 1994

The economies that are represented here at the Pacific Economic Cooperation Council (PECC X) have a total Gross National Product (GNP) of more than US\$ 12 trillion. This is two times bigger than the total GNP of the European Union. It is three times bigger than the total GNP of the rest of the world. No less than three-fifths of the wealth of the entire global community is generated by the economies represented in this room.

In purchasing power parity terms, the figures are even bigger. The United States is the world's largest economy. China is the world's second largest economy. Japan is the world's third largest economy. Indonesia is the twelfth largest economy in the world.

It is a matter of historical record that every economy in Pacific Asia was not too long ago considered a domino or a domino-to-be. We were seen in the same way that so many countries in Africa are seen today. Economies with little hope.

Beset by problems that obviously could never be solved, cultures that surely would weigh us down, handicaps that would inevitably reduce many of us to life with a begging bowl. South Korea was seen in this light. Indonesia before the arrival of President Suharto was seen in this light. Thailand, Malaysia, Singapore, Hong Kong and even Japan. Even China. You name it. We were all, at one time or another during the post-war years, assumed to be societies with little hope.

Now, almost without exception, we are all regarded as dynamos.

Imagine the possibilities of a Pacific of such enormous verve and vitality, of such enormous wealth, of such enormous diversity, of such enormous talent, of such enormous synergistic potential! Imagine what we can do together — for ourselves and for the rest of the world — if we can put our act together, if we can together build a true community of cooperative peace and mutual prosperity. A community worthy of the name of the Ocean whose waters lap our shores, worthy of the hard-working people who sweat and toil in the lands that rim the Pacific.

Some of us have been energised by the Pacific potential long before some of the present champions of the Pacific recognised the vitality of the super-region and awoke to its immense possibilities.

Malaysia was the first in Asean to join the Pacific Basin Economic Council (PBECC). In May this year, Malaysia will be hosting, with pride, the International General Meeting of the PBECC, to which I am strongly committed. For the last seven years, Kuala Lumpur has played host to the Asia Pacific Roundtable, a security forum which for the first time in Pacific history, brought together all the friends and foes of the Pacific into a process of talking and reasoning together. In June this year, this attempt at community-building in the Asia Pacific will meet for the Eighth Asia Pacific Roundtable.

On this day, Malaysia is proud to host the Tenth International Conference of the Pacific Economic Cooperation Council. I have been informed that this is the most high-powered non-governmental international conference ever held in the Pacific.

I particularly welcome former President Aylwin of Chile and Prime Minister Goldenberg of Peru, the Secretary General of UNCTAD and the Deputy Secretary General of the OECD — and all who have come from across this vast ocean.

I am a great respecter of what some have called 'this vision thing'. There is of course a great danger in grand idealism wedded to grand illusion. Great visions can sometimes get in the way of the day-to-day things that we must do today, that are urgent, that brook no delay.

But there is no virtue in activity without purpose. There can be little satisfaction in mileage without milestones and distance without a destination. There is no sense in getting quickly to places we do not want to go.

I am a Malaysian nationalist (something that some people do not like). As a Malaysian nationalist, in common with most Malaysians, I have a clear sense of direction and of directions for Malaysia.

I am also an Aseanist. Far too many ignorant people today underestimate Asean. It has been central to our post-colonial past. It will remain central to our future. Indeed, I confess, without any sense of guilt, that I will fight every impulse, contain every force and confront any danger that will damage or destroy the Asean family. For this, I make no apology. I express no reservation.

At the same time, I am a Southeast Asian and an East Asian. As a Southeast Asian, I am proud that we have together, been able to turn a battleground into a marketplace. A Southeast Asian neighbourhood of warmth and friendship has to be tended and nourished.

As an East Asian, I am committed to the building of an East Asian community in which our common peace is cooperatively constructed and our common prosperity is cooperatively built, an East Asian community in which the giants of our region — China, Japan, Indonesia — shall have their rightful place, discharging their rightful responsibilities, all of us living in harmony in an egalitarian community of mutual respect and mutual benefit.

As a global citizen, my country must play an active role in the making of a new world community based on egalitarianism, mutual respect and justice. We will do what has to be done, even if there is a price to be paid.

As a fervent believer in the need to enrich and strengthen Pacific interdependence and cooperation, I also believe that the nations of the Pacific, the business enterprises of the Pacific, the intellectual leaders of the Pacific — all of us in the Pacific — each in our own way, should work hard to contribute to the making of a productive community of cooperative peace and prosperity in the Pacific.

There are two key words here. The first is 'community'. The second is 'productive'.

I believe that what we must build is a Pacific community that is robust and that will endure, not a temporary Pacific association of convenience, or a Pacific construct erected over a transient enthusiasm — or a Pacific club or organisation with a single purpose or interest, an appendage to someone, something that is here today and gone tomorrow.

In the jargon of sociology, the German word 'gemeinschaft' is used to refer to a social relationship based on affection, kinship or a sense of community, "as within a family or a group of friends." The German word 'gesellschaft', on the other hand, is a relationship based on law, adherence to rules and regulations and to duty — as within a structured organisation. I believe that what we must build is a Pacific 'Gemeinschaft', a Pacific village or family or group of friends, not an artificial, Cartesian construct — over-legalistic, over-structured and over-institutionalised.

If this is our vision, obviously we have more to learn from the patient wisdom of our traditional culture, the stamina of the long-distance runner and the simple brick-layer who builds a house brick by brick, than the philosophy of Rene Descartes and the most magical builder of the house of cards.

The eager and the enthusiastic have to understand the enormous diversity of the Asia Pacific. In some of our cultures, friends are made in the course of a day. But for most of us, given our cultures, it takes time to become true friends.

A dozen years ago, in the very early stages of the Pacific movement, at a conference on the Pacific in Bali, I stated: "Tak kenal, maka tak cinta". We did not yet know each other. How could we be expected to be firm friends? Over the years, some strangers have begun to know each other much better. But there are new strangers who must be made our firm friends.

The eager and the enthusiastic have to understand that not so many months ago, some of us of the Pacific were prepared to throw megatons at each other, to kill hundreds of millions of each other's citizens.

Clearly, the Asia Pacific journey to full trust, empathy and respect is a journey of a thousand miles, with very few safe short-cuts. There are no bullet trains. We must be prepared often to go on foot, despite the inconvenience.

So many ties have to be established, so many webs have to be weaved, so many chasms have to be bridged. The work — so full of frustrations — has to be done with patience and with persistence. Rome was not built in a day. A true Pacific community cannot be built in a decade. We must think in terms of decades. We must find the stamina to stay the course.

We must understand at the same time that the building of a true community cannot be a monopoly of bureaucrats or governments meeting intermittently. It can only be built by a million hands, working every day and every hour of the day.

Indeed, right or wrong, it is the private sector, the business person pursuing growth and profit (not officials armed to the teeth with the best of intentions, laws, regulations, frameworks and authority, or politicians and statesmen who strut the great stage of international play) who have the greatest contribution to the making of the Pacific economic community. It is the intellectual and media leaders, like so many of you in the audience, who must help to build the needed community of the mind and of the heart.

APEC properly structured has of course a most important place and a most important role. But those APEC members who wish to measure the Pacific spirit and the Pacific commitment purely in terms of being macho on APEC, are misguided.

There is a role for PECC to play, for PBEC to play, for PAFTAD to play, for the Asean Regional Forum to play, for the ASEAN dialogue process to play, for all the sub-regional forums to play.

We contribute to Pacific interdependence and community-building when we improve our bilateral relations. We contribute when we improve neighbourly relations and foster a peaceful neighbourhood and a flourishing one. All have to be part of this multi-layered, multi-dimensional process of Pacific community-building.

To ensure the 'productive' community that we need, it is essential that we establish an egalitarian Pacific community, not a hegemonic Pacific community.

Let me say it for Malaysia: we cannot accept a Pax Sinica; we cannot accept a Pax Nipponica; we cannot accept a Pax Americana. Not now and not in the future. Instead, we believe in the establishment of a Pax Pacifica, a Pax without an imperium, without a protector, and without an overlord. We believe in an egalitarian community.

Most obviously, China is not Canada or Chile. Japan is not Hong Kong or Mexico. Even within the closest family, there are older brothers and sisters. Power and size will have their inevitable play. But this must—be within an egalitarian framework of mutual respect and mutual benefit.

Egalitarianism is not an illusion founded on departure from realities. Nor does it deny the need for leadership. The leaders must lead. But leadership, too, must be within the framework of mutual respect and mutual benefit.

I believe that it is also important to ensure a Pacific community that is democratic and consensual and that works on the basis of democratic and consensual principles — however frustrating democracy is, however infuriatingly difficult consensus may sometimes be to secure.

We should also be strongly committed to the objective of making sure that the Pacific community that we build conforms to the imperatives of open economic regionalism. This of course is the central theme of this conference.

Before I proceed to say a few words on open regionalism, I hope we can all proceed on the same basic premise. Is there any doubt that the first best option is not open regionalism but open globalism?

This entire planet should be a single market place, a single trading bloc, with as few obstacles and distortions as possible to the freest and least managed exchange of goods and services. Can we not all agree that global free trade, like democracy — with all the inherent imperfections — is by far the best option, ensuring the greatest good for the greatest number?

I used to think that we all agreed that the command economy makes economic nonsense in the international economic system, just as it makes economic nonsense within the domestic economic system. Now some seem to question this. Is it the system or is it the people? Most handle the free market as badly as the closed market.

There can surely be no question about the fact that economic regionalism is a reality of life that will not go away. In the years since World War II, more than 55 regional trading arrangements have been submitted to GATT for its examination. Australia and New Zealand were the pioneers in the Pacific. In 1965, they launched the first NAFTA, the New Zealand-Australia Free Trade Agreement. The latest ramification is the 1983 Australia-New Zealand Closer Economic Relations Trade Agreement or ANZCERTA.

Regional trading blocs — which by definition are regional trade groupings which have a common set of market access conditions among member economies which are not accorded to those outside the bloc — have been implemented or tried in every area of the world, except only in Northeast Asia. Except for the Northeast Asian members of APEC, all APEC members are already involved in one or more regional trading blocs.

The Asean countries will have AFTA. The United States, Canada and Mexico have NAFTA.

Given that trade blocs are not going to go away and may even proliferate, it surely requires statesmanship of the highest calibre to ensure that they will be as open as possible to non-members and that they will positively contribute to global liberalism rather than global protectionism.

The Uruguay Round negotiations have come to something of a conclusion. We will have to wait and see just how meaningful that conclusion is. I happen to think that those who believe in trade liberalism will continue to have a fight on their hands against the forces of protectionism. Those who believe in open regionalism, too, have a fight on their hands.

PECC has the San Francisco Declaration on Open Regionalism upon which it can build, and from which it can rally forth as a champion of open regionalism. It obviously has an important role to play. And its tripartite nature gives it the comparative advantage to fully develop the doctrine and the legitimacy of open regionalism.

In May last year, at the opening of the 26th International General Meeting of the Pacific Basin Economic Council in Seoul, I stated my view that all those who claim to be examples of open regionalism must pass two tests. The first is the test of intent. The second is the test of outcome.

The first test requires that the members of a regional enterprise pursue their regional undertaking not with the purpose of raising the ramparts and manning the barricades but with the intent of liberalising the conditions for economic intercourse between themselves and with the intent of reducing the barriers to economies outside the regional trading bloc.

This is a very rigorous test. The entire European experience from the European Coal and Steel Community, through the Treaty of Rome and Maastricht, fails the test of intent. The desire to open to those outside need not be the primary intent. But the desire must be there.

As for the test of outcome, I believe it demands that what actually results is trade liberalisation within the regional grouping. In addition, the barriers to outside economies must actually be reduced.

If these two tests are passed, there is no doubt that open regionalism will indeed be a contributor to the open global trading system that I believe we must fight for.

Earlier in my speech, I said I was a Malaysian nationalist, that I was an Aseanist, a Southeast Asian, an East Asian, a globalist and a Pacifican.

As a Malaysian nationalist, I want to open the economy of Malaysia even further. In the last six years, we have been growing around 8.5 per cent a year. We must exploit all the advantages that further liberalisation and openness engenders. The entire world has to be our marketplace. And we must draw in the entire world in the making of our Vision 2020 future.

As an Aseanist, I wish to see the Asean community open itself further, so that we will all become stronger, more competitive, and more prosperous. I am confident that AFTA will not only lower the internal barriers but also the barriers to outside economies.

As a Southeast Asian, I would like to see an open Southeast Asia. The course is set. The benefits are all too clear.

As an East Asian, I would like to see the flourishing of East Asian economic cooperation and interdependence, and East Asian open regionalism. I have no doubt in my mind that Asean's proposal for an EAEC is an idea whose time cannot be denied.

As a globalist, I know we must fight against protectionism, managed trade and an international command economy. We must fight for liberalisation and free trade.

As a Pacifican, I urge you to dedicate the PECC and your countries to the cause of open regionalism in the Pacific.

I pray that you, during the course of this conference and the nations of the Pacific in the decades ahead, will indeed succeed in holding firmly to the cause of open Pacific regionalism and in finding the way forward.

We of the Pacific, who generate three-fifths of the wealth on this planet, owe this to our peoples and to the rest of mankind.

The Opening Of The Pacific Rim Business Collaboration Symposium

(Regional Business Collaboration)

Kuala Lumpur, Malaysia, 5 December 1994

The objective of this symposium is very laudable as it is meant to promote regional business alliances. It is only right that the private sector should take the lead as they stand to gain by it the most. This is especially so because of the increasing size of Asia's market. Based on current performances, it is expected to be the world's fastest growing region in the 21st century. Its dynamism will be a major force driving the world economy. It is also a fact that despite poor economic performances elsewhere, East Asian nations have continued to experience high growth and it would not be wrong to anticipate that this trend will continue for many years to come. Indeed, it was not too long ago when we were told that the Mediterranean was the ocean of the past; that the Atlantic the ocean of the present and the Pacific, the ocean of the future. The future is already here and Asia's share of global GDP is expected to increase from about 25 percent to almost 33 percent by the 21st Century. Asia's economic growth has clearly outstripped world economic growth.

In the case of Malaysia, we have been able to transform it from an agricultural, commodity-driven economy into a diversified manufacturing-based and export-led economy. Today, Malaysia is one of the few countries in the world that enjoys buoyant economic growth with low inflation. While it is true that some countries are booming, they are also afflicted with runaway inflation. In Malaysia, prudent economic and fiscal policies have helped businesses to prosper and grow rapidly without affecting the low rate of inflation characteristic of the country. With our transparent and pragmatic policies, we hope to encourage greater inflow of foreign investments involving sophisticated technology, high capital, technical know-how and marketing expertise. Through this forum, the private sector hopefully can further enhance its capacity in terms of tapping the potential markets of the Asian countries while establishing a symbiotic and mutually beneficial relationship. Today, Malaysia is modestly proud to be regarded as a model for economic development. If I may say so, the achievement is even more impressive as we have managed not only to promote rapid economic development, but have done so despite being a nation of diverse and incompatible ethnic and religious mix.

Malaysia's economic transformation and East Asia's success story did not come about by accident. It was also not sheer luck that has made us what we are today. Our success story is the product of much hard work, together with a work ethic that is compatible with industrial peace and high productivity.

Indeed, we believe strong, stable governments are a major pre-requisite for success. Look around you in East Asia and you will find that there is a strong correlation between rapid economic growth and strong stable governments. Strong governments are prepared to take unpopular decisions in the best interests of the nation. Strong, stable governments adopt a longer term outlook on macro-planning and are not just concerned with the next general elections. Strong governments provide the necessary stability and predictability so essential to long-term investments.

Strong governments do not mean the absence of free, democratic elections. When people understand the limitations and the responsibility of citizens, democracy can be practised without democratic extremism and anarchy. Democracy is meant to serve the people, not the people to serve democracy. When the devotion to democracy results in a stagnant economy, high unemployment and denial of the right to work and work hard; when democracy protects fascists and neo-Nazis; when the individual activist takes precedence over the silent masses, then it is time to question whether we have correctly interpreted democracy. It is important to remember that fanatical democrats are no better than religious fanatics. They both cannot see the wood for the trees.

In the West, democracy means many things to different people. To us in Asia, democracy means our citizens are entitled to free and fair elections. They can choose the Governments of their liking. We also believe that once we have elected our Governments, they should be allowed to govern and to formulate policies and act on them. Our democracy does not confer complete licence for citizens to go wild. We need political stability, predictability and consistency to provide the necessary environment for progress and economic development. Thus, we have seen the Singapore story unfolded by Mr Lee Kuan Yew and now continued by Mr Goh Chok Tong. We see this in Indonesia's success story with President Suharto, staying at the helm for almost 30 years.

We are socially stable in Malaysia. Although our people differ in terms of culture, religion and philosophy, they display tolerance, understanding and respect each others' way of life. Malaysians generally believe in compromise. We do not compromise out of weakness but rather out of a common desire to see our nation remain peaceful and prosperous. The vast majority of Malaysians are moderate people, tolerant, sensitive to each other's differences and harbour little ill-will.

Malaysia is fortunate to have a resilient private sector willing to undertake risks and share the tasks of building economic prosperity. The private sector is the main engine of growth for

the Malaysian economy. Together with the Government's proactive and sound macro-economic principles and programmes, the concept of Malaysia Incorporated and privatisation, we have been able to accelerate growth, reduce our foreign debts, deregulate and assist the private sector to expand their role. We have invested in the future, by allocating vast sums of money to build infrastructure, as well as provide education and training suitable for an industrial economy. It is this commitment towards investing in infrastructure and human resource development that has given us a strong competitive edge.

Malaysia will continue to maintain its liberal economic policies and development programmes. Our policies will remain consistent, predictable and transparent. For us, the challenge of managing success is just as important as managing problems during a recession. I am confident that with the positive measures we have taken, we are today better equipped to cope with any cyclical downturn.

However, to enable us to better manage difficult times if a downturn occurs, we must not fritter away our gains during boom times. We will continue to increase the national savings and diversify our economy so that we will not be over-dependent on any one particular sector. We must diversify our markets as well as seek new markets for our products and services. In fact today, 53 percent of Malaysia's trade is with the nations of East Asia, where once it was almost exclusively with Britain.

Rapid growth, as is being experienced in Malaysia, usually leads to overheating. High inflation, breakdown in services, inadequate funds for needed supporting infrastructure, overstrained bureaucracy and inadequate or shortage in the supply of trained personnel; all these alone or together can slow down or even reverse economic growth. How a Government deals with overheating will determine the future of the nation and its own fate.

The trend today is towards a free market economy. China, the republics of the former Soviet Union, the Indo-China states and the ex-Communist countries of Eastern Europe have all embraced the free market system. Some have even adopted the democratic system of Government. The mere adoption of these economic and political systems is no guarantee of success. If it is, then all the Western democracies with market economies would be eternally prosperous. But we all know that they are not. In fact, the countries which are doing well now are those with not so liberal democracies and with an economic system in which the Government plays a significant role. China and Vietnam which look set to grow economically have approximately this kind of combination. It would be unfortunate if in their zeal to proselytise, the victorious democrats inflict economic and political disaster on the enthusiastic converts. It is well to warn that democracy and the free markets are not economic and political cure-alls.

Although East Asia has achieved remarkable success and has demonstrated strong, resilient growth, the future is full of uncertainties even for them. Calamities and disasters are always possible even for those with brilliant records. Japan is the current example. It is therefore, all the more crucial and imperative, for nations of East Asia to work together in a more integrated and cohesive manner. The concept of an East Asia Economic Caucus (EAEC) must be firmed up further. As I have stated before, the EAEC is GATT-consistent and is committed to free trade. The EAEC is a result of, and intended for, open regionalism. On the one hand it recognises the need for regional cooperation and integration, and on the other it promotes free trade. Countries of East Asia must work together. The need to balance regional groupings elsewhere is obvious. Alone, no Asian country, however powerful, can match the combined clout of the groupings which have been formed in Europe and North America.

No one need fear an Asian Grouping. Europeans and North Americans are much more homogenous than Asians. Even in East Asia, we are not only ethnically different but we are also divided by culture, language and religion. It is quite impossible

for Asians to think of themselves the way Europeans think of themselves, as being of one race and one colour. Indeed, the European culture and language have common origins. So the idea of an integrated Asian community borders on the ridiculous. Not so an Asian or an East Asian forum or caucus, designed to discuss common economic problems and to a limited extent to help pull up those among the East Asian countries which are lagging behind. All these can be motivated by enlightened self-interest. If today South East Asia is one of Japan's valuable market's it is because Japan invested in these countries and helped them to develop. The highly successful economies of East Asia will be helping themselves when they help the less developed countries in the region to grow and prosper.

The EAEC is therefore a logical follow-up of the economic interaction in East Asia in the post-World War II years. The EAEC is good for the Governments of East Asia, which by and large, are concerned to see that their countries achieve economic well-being. The EAEC is of course good for the business community of East Asia as well. What else do businessmen ask for more than to spread their wings beyond the borders of their countries?

Today, the narrow protectionist outlook of Asian businessmen has all but disappeared. Not only are they keen to go abroad, but they regard business alliances and collaboration with companies in other countries as good business strategy. By so doing, they can gain access to markets and also acquire new technology. Indeed, there is a whole lot to be gained through cross-border collaboration.

As leader of a country which believes in regional economic collaboration, I welcome this symposium. I am sure it will result in many alliances and collaborations which will benefit the region, and indeed the whole world.

***The Opening Of
The Expert Group
Meeting Of G-15 On
Exchange Of
Information On
National Economic
Policies (EINEP) Of
Member Countries
(South Response to A New Global
Environment)***

Kuala Lumpur, Malaysia, 17 June 1994

The world economy is currently undergoing rapid and unprecedented changes and realignments. In the current global economic situation, the major economies in North America and Europe are no longer in their comfortable positions of steady growth which they had enjoyed the last few decades. The U.S. economy has been struggling to cope with the recessionary pressures since the late 1980s. The 1992 presidential election served as a referendum of how best to get the economy moving again. In this process, the U.S. has been urged to adopt an industrial policy in which the government would encourage investment in specific industries and lines of production, both through subsidies and, if need be, through trade protection or

managed trade. This focus on the domestic economy has also led to the creation of a new regional bloc in the shape of a North American Free Trade Area (NAFTA). This rivals the European unification (EC) which became a reality on New Year's day this year. However, the European economies - U.K., France, Italy and even Germany - have not registered impressive growth performance in the last few years. The Japanese economy too, has had to adjust to the problems of the 'bursting of the bubble' and now the second Yen appreciation.

While this bleak situation engulfs the developed economies, East Asia and Southeast Asia - particularly ASEAN countries - recorded impressive growth rates. Thus the Asia-Pacific has become the most dynamic region of the world. This offers hope for other developing economies. Perhaps East Asia can provide the leadership to champion Free-Trade or 'Open regionalism'. Open regionalism will be a great contributor to the open global trading system. That is why the proposal for an East Asia Economic Caucus (EAEC) will help to bring about this very open East Asia.

Given this current global situation, the key issue facing us is how should a movement for the South respond to this new global environment? What stance should it take and what kinds of strategies must it pursue? The developed nations are preoccupied with their domestic woes and the problems of the developing countries no longer receive the kind of concern that South countries were familiar with. Whilst the North has successfully exhorted the developing nations to bite the bullet by taking painful policy adjustments through fiscal prudence and economic liberalisation, the North has merely raised protective barriers and created regional blocs. They are not willing to face reality and to admit that they are living beyond their means. For our part, should we continue to play the role of 'junior partners' by requesting for unavailable aid and concessions, or should we seek to establish real partnerships between ourselves as a base for a stronger stance in our relationships with the North?

The focus of the South movement should shift from the dependence on the North for aid, technology transfer and management expertise towards a kind of 'self-help' strategy. Efforts must be made by member countries to increase South-South linkages and cooperation. The 'marginalisation' of some of the South countries is a consequence not only of the action of others but a failure to develop such South-South links. The South will have to look within itself for the creativity and potential that could be harnessed to accelerate development and growth. It is a matter of survival and self preservation that the South as a group, should manage their economies in a manner that creates greater complements in production, trade and investment. The vast diversity in the levels of development of our countries must be viewed as an opportunity to establish better links. For example, how can the G-15 countries link up with the East Asian economies? I am confident specific niches can be found to integrate our economies. The time is now right to take control of our destiny rather than continuing to submit to the dictates of others.

There is actually much that we have to offer to each other in terms of trade and investment opportunities. The economies of the South currently constitute 25 per cent of world trade. Developing countries' imports alone total around US\$800 billion. The total population of G-15 member countries constitutes a market potential of 1.6 billion consumers. Besides, two-thirds of the world's population lives in the developing countries. Although we often produce similar goods and thus become competitors to each other, there are also many things that we can usefully trade with each other. Some countries of the South, such as India and some Latin American countries, are technologically quite advanced and offer opportunities for collaboration. Others may have developed expertise in trading and services activities. Yet others have large natural resource endowments or simply large working populations or domestic markets. All these strengths can form a useful base for greater trading, investment and other economic linkages in the near future, if only we are willing to get together more often to talk and identify these areas of mutual benefit and act on them.

To nurture such linkages, all the nations of the South must put their economies on a sound footing. Political and macro-economic stability is a sine qua non for development. Such stability will facilitate not only the retention of domestic savings and investments, but also attract the inflow of foreign investments. It encourages long-term ventures and commitments which propel sustainable growth. Without such predictable stability, economic and social pursuits will focus on speculative activities which produce no long-term benefits.

It is this realisation that has motivated the establishment of the G-15 Expert Group Meeting for the 'Exchange of Information on National Economic Policies of Member Countries' or (EINEP). Technocrats charged with national economic planning responsibilities will have an opportunity to obtain first-hand information of the economic policies of member countries. This will provide them with a good understanding of each other's economies such that the potentials for enhancing South-South economic cooperation can be identified and made use of.

For the short-term, this meeting hopes to achieve modest objectives, namely an exposure to national economic policies, update important economic information, develop a network of information for formulating strategic actions in North-South relationships, provide a channel to resolve controversial issues, and strengthen the working relationships between economic planners.

To provide the initial impetus to the deliberations, I have requested our economic planners to present papers on some aspects of Malaysia's development experience as a backdrop to the meeting. I will highlight some of our major experiences to start early discussion. We have always maintained a policy of 'growth with equity'. Malaysia has demonstrated a framework where growth and equity are compatible objectives. This is contrary to some economists' suggestion that faster economic growth and greater income equality are inconsistent objectives. There is a big trade-off between quality and economic efficiency. I hope the experts can deliberate on the framework for enhancing this compatibility.

Malaysia, with its ethnic heterogeneity and rich natural resources, has in the past two decades, adopted the growth with equity strategy with measurable success. In the present perspective plan, Malaysia's growth strategy is to focus on balanced development which emphasises not only development of the major sectors, but also the strengthening of national integration, promotion of human resource development and the protection of the environment and ecology. Malaysia has also managed to tide over the world recession during the mid-80s by adopting policies which emphasise frugality, efficiencies and increased productivity, market-oriented programmes, sound redistribution policies, and investment in human resources.

It is accepted that maintaining price stability is a formidable task for many developing countries. In fact, many member countries are beset with double or triple digit inflation rates. Price stabilisation policies have been associated with a cost to the nation in the form of lower economic growth. It is really a challenge to explore the possibilities of pursuing high growth with low inflation, meaning that there is no cost to disinflation policies. Inflation is a very important issue because persistent price instability and high inflation has created economic instability for many developing countries, which are then required to institute tough and painful adjustment measures.

Another experience which will surely vary significantly among member countries, is the optimal public-private mix in the economy. We started from a predominantly private to a strong public sector involvement in the economy. But ultimately, Malaysia reverted to private sector-led growth. This move coincided with policies on privatisation, deregulation and liberalisation. It is felt that the transition was possible principally because of the emergence of a strong and well distributed entrepreneurial private sector. We would like to consider ourselves fairly successful in implementing our privatisation policy.

Since 1983, Malaysia has embarked on a privatisation policy for public enterprises and related public entities to relieve the financial and administrative burden of the Government, and

raise efficiency and productivity through the promotion of competition. The policy was adopted as a result of the rising public budget deficit, widespread dissatisfaction with the performance of public enterprises and the need to spur economic growth through active private sector participation. When the policy was enunciated, Malaysia was among the first few nations to opt for this unknown territory — the reversal of nationalisation. Fortunately, we have not made too many mistakes, as evidenced by the success of the privatised agencies. Thus far, the results of the privatisation efforts have been very encouraging and some of the privatised projects have shown significant improvement in terms of efficiency and profitability. Not only has the Government earned money from the sell-off, but some enterprises are paying dividends and even taxes. Funds, which otherwise would have to be channelled for the implementation of these projects, are now redirected to priority areas for poverty redressal and restructuring programmes, while at the same time reducing the public sector workforce. We have gained much experience in implementing this policy, which has been translated into a positive instrument of economic management of the nation, and we are ready to share this valuable experience with other G-15 member countries. At the same time, Malaysia would like to learn from the successes of other countries, particularly Chile.

Finally, the structural transformation of our economy through accelerated industrialisation and economic diversification should be compared with some of your experiences. We can learn from each other in terms of the pace of the growth of the manufacturing sector, the availability of skilled manpower to absorb technology transfer, and the different approaches to the industrialisation process.

With the wealth of experiences of participants in this meeting I am sure these issues will be thoroughly analysed, and where appropriate, innovative approaches or solutions found. We must manage our economies, finance our projects, utilise our human resources and technical know-how effectively in order to face the increasingly competitive world economic environment. I am sure one meeting will not suffice to address the wide-ranging

issues and problems. Therefore, I hope this meeting will jump start a regular series of such meetings among the economic planners of G-15 member countries. It is my fervent hope that these meetings will be successful in formulating and translating proposals into action programmes for adoption and implementation by developing countries. More importantly, better economic relationships can be established amongst the G-15 countries such that we will be able to chart the future destiny of our nations.





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