

PM: Asia will be home of economic miracles

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Speech by Prime Minister Datuk Seri Dr Mahathir Mohamad at The Asia Society Conference on "Asia and the Changing World Order" in Tokyo yesterday.

FIRST of all, please allow me to say what a pleasure it is to be here at this important Asia Society Conference on "Asia and the Changing World Order".

Asia is of course a very large place. It is where half of mankind lives. It is not a homogeneous entity, but a composite of several continents. And because of that Asia will remain a mere geographical expression. It is not and will not be a political or an economic entity. It will continue to have serious contradictions and on many issues it will be divided and at odds with itself.

At the same time, I believe that in the years ahead Asia, especially East Asia, will also find many areas of common concern, many areas of common purpose, and many areas of common action.

Already, we have seen some very interesting developments. In Western Asia, the Economic Co-operation Organisation (ECO) has been launched. In Southern Asia, the South Asian Association of Regional Co-operation (SAARC) has recently had something of a breakthrough on trade. South-East Asia is in many ways rapidly coming together. In some key areas, Pacific Asia or East Asia has been the fastest integrating region in the world.

We have for example achieved a level of trade integration equal to that of the Nafta area, in percentage terms, and equal to the level of the European Community, if we take into account the different sizes of the EC and the East Asian GNPs.

Our economic integration is a clear example of market-driven open regionalism. Our achievements are the fruits of market-driven open regionalism. We have much more to harvest from our market-driven open regionalism. In the years and decades ahead, I am sure that our comprehensive economic integration will continue to be driven by market forces.

We will, I am sure, continue to welcome the other great economic players of the world in the process of enriching our market-driven open regionalism. Indeed, we must welcome all nations to join us in the making of our great market-driven East Asian regionalism.

Ladies and gentlemen,

If you think I am an optimist about the future of this part of the world, you are right. I believe that in the years ahead, there will be further dramatic developments. East Asia, which has been the home of so many of the economic miracles of the 20th century, will continue to be the home of many of the economic miracles of the 21st century.

The strategic condition and environment of this part of the world is better now than at any time before. The strategic configuration of forces in East Asia is better now than it has been in the last century and a half.

Ladies and gentlemen,

The greatest civilisations began in Asia. For almost three millennium, Eastern, Central and West Asian civilisations dominated the world. Then came the usual decline, followed by the ascendancy of Europe.

In the last several hundred years, Europe, and later, the North Atlantic community was the centre of the world. Asians gained and suffered from decisions and events made elsewhere. We were practically never "the cause", almost always "the consequence". We in Asia were the periphery. We in East Asia were so much on the periphery that we were called and we even called ourselves "the Far East".

We may not again be the centre of the world. But at least we should be the centre of our world. We must commit ourselves to ensuring that the history of East Asia will be made in East Asia, for East Asia and by East Asians.

Ladies and gentlemen,

words on the general theme of this conference, let me turn to my allocated task, which is to talk on the subject "World Trade: Gatt, Groups and Growth". Let me put forward a few thoughts.

First, I am deeply concerned about the third "G" — growth. Whether we realise it or not, the world is already in a growth crisis.

If the world does not do what must be done, the 1990s will see a prolonged growth crisis. I do not see the coming of a second great depression. But the prospects of prolonged anaemic growth are very real indeed.

The consequences will be profound and global. Many of the political, economic and social advances of the last few decades could be wiped out.

I am a Malaysian nationalist. For this I offer no apologies. I am also an Aseanist. I am deeply committed to Asean, which has played such a critical role in turning what was an area of turmoil, antagonism, conflict — sometimes violent conflict — an area with no history of co-operation whatsoever — into a zone of co-operative peace and prosperity.

Second, I am deeply concerned about the future of the open, multilateral trading system.

Again, I do not see a re-run of the 1930s. We cannot be that stupid. But if we do not do what must be done, the 1990s will definitely see a fundamental transformation in the world trading system away from that which had been so effective in rebuilding the world after the devastation of the Second World War. A new World will indeed emerge — which none of us will like.

Third, I am deeply concerned about "G" "A" "T" "T" being laughed off as merely a "general agreement to talk and talk". I am profoundly worried about the fate of the Uruguay Round. I am deeply perturbed by the prospect of much more protectionism and of much more managed trade.

Fourth, I am deeply concerned about the rise of inward-looking economic groupings, and

Unfortunately, the present growth crisis is a feature of all the three worlds, what used to be called the "Third World", the "Second World" and the "First World".

In the 1980s, two out of three developing countries suffered a fall in their per capita incomes. In more than half of these countries, the decline was more than 10 per cent; and in two out of five, the collapse exceeded 20 per cent.

While this collapse in most of the developing world is without precedent in post-war history, the magnitude of the *castroika* in Russia and Eastern Europe over the last three years is without precedent in the recorded economic history of mankind. Their output today is 30 per cent lower than

Much of these problems is due to an unwillingness to face facts. And the facts are that you cannot live beyond your means.

After three abysmal years, the latest revised IMF projections for the OECD are for something between half a per cent and two per cent growth in 1993.

The present and near term problems of the developed countries have to be seen in the context of a long-term structural decline in dynamism. The industrial world grew by an average five per cent in the 1960s, by an average of only 3.1 per cent in the 1970s, and by an average of only 2.7 per cent in the 1980s. We can hope that in the 1990s economic history will change direction. But we cannot count on it.

A second thing to worry about — because it too may be a longer-term phenomenon accompanying us to the edge of the 21st century and beyond — is the present crisis of the multilateral world trading system. This crisis too is pervasive, multi-dimensional and deeply rooted.

The most worrying thing about world trade is the long-term trend. In the 1960s, world trade grew by an annual average of eight per cent. In the 1970s, this had fallen to 6.2 per cent. In the 1980s, this had dropped further to 4.4 per cent. If history will travel in a straight-line, we should expect an average world trade growth of two to three per cent in the 1990s. If this were to happen, the consequences would be devastating. We will be in *terra nullis*, uncharted territory.

There are other things to worry about. The Uruguay Round remains in gridlock, held hostage by a few farmers and the political interest of their candidates.

The other members of Gatt, some of whose very lives depend on the result, are essentially spectators, very often not quite able to really comprehend the game, still less to influence its outcome.

Health, environmental and safety standards have become standard instruments in the trade armoury. Friends can talk

three years ago. No economy or group of economies came close to experiencing such a catastrophic collapse, even in the period of the Great Depression. And all these because they were made to believe that democracy plus market economy equals peace and prosperity.

Unfortunately, the growth crisis has a third component: the growth crisis of the developed world. This is by far the most consequential for the world as a whole.

Japan is now in deep trouble. But the real economic crisis of the developed nations that the whole world has to grievously worry about lies in Europe and North America.

There may now be disagreement only about whether there is an albino or an elephant around the neck of the great German economy. The United States has structural problems which are of the most intractable and fundamen-

about trade sanctions against each other. Import targeting will increasingly be used by the strong against the weak. Mr Miyazawa says that it is not acceptable for countries to have, to tell their companies how much of what they should buy from what countries. Yet managed trade has advanced. And there are now respectable Western scholars who even advocate it as a legitimate model for the conduct of future world trade.

There are politicians who openly advocate it without blushing with shame.

Ladies and gentlemen, The multilateral open global trading system is today in deep crisis. Multilateralism is under serious threat from "blocism", from unilateralism, from bilateralism and from "minilateralism", that is, exclusive deals between a select group of countries.

It is clear to me that the number one, the most urgent, task for global economic statesmanship today is the successful conclusion of the Uruguay Round.

President Clinton recently stated that while the developing world has been reducing their levels of protectionism in recent years, 20 out of the 24 developed OECD countries have been substantially increasing their levels of protection. If the Uruguay Round fails, what we have seen so far will be child's play.

We can probably wave goodbye to the global trading system that we have known since the Second World War, which has yielded so much to every part of the world, without which the miracles of East Asia could not have taken place, and without which the future miracles of East Asia cannot come to pass.

It should be noted that the conclusion of every Gatt Round in the past has resulted in productivity gains, employment gains, growth gains in every part of the world, especially in those countries which are most dependent for their survival on trading with the world.

The gains from a speedy conclusion of the Uruguay Round now are hard to quantify in exact terms. For what it is worth, one study by the OECD forecasts that the successful conclusion of the Uruguay Round would add one per cent to global growth — in a situation where global growth needs all the help that it can get.

Ladies and gentlemen, Let me now turn to the last "G" in the title of this session — "Group". I presume the inclusion of this "G" is to open the window of discussion to the rise of regional trade groupings and to the general topic of regionalism.

Let me state at the outset that I recognise that economic regionalism, and even political regionalism, like globalisation, is a process that cannot be stopped. Neither is inherently good or bad. What is important is to distinguish between what is productive and what is not.

What we should fear and oppose is globalisation that is purely exploitative, bereft of conscience, morality and good corporate citizenship. What we should fear and oppose is regionalism that is closed and inward-looking, regionalism whose intent is not to contribute to the liberalisation of world trade and economic co-operation, not to raise national productivity and competitiveness, but to protect the inefficient, to retreat into the fortress and to man the battlements.

Ladies and gentlemen, I am a Malaysian nationalist. For this I offer no apologies. I am also an Aseanist. I am deeply committed to Asean, which has played such a critical role in turning what was an area of turmoil, antagonism, conflict — sometimes violent conflict — an area with no history of co-operation whatsoever — into a zone of co-operative peace and prosperity.

I am also a believer, among other things, in South-South Co-operation, in the G-15, in the OIC, in the Commonwealth, in a South-East Asian community of peace and shared development, in enriching and strengthening Pacific interdependence and co-operation and in a new and a better world order.

For all these commitments and beliefs, I do not apologise. I also do not apologise for my hopes for, and commitment to, East Asia.

A quarter of a century ago, when we in Asean took the bold and no doubt "foolhardy" step for co-operative peace and prosperity in South-East Asia, who could have expected what we have been able to achieve? That act of regional statesmanship — the establishment of

Asean — was the result of regional decision-making on the part of countries which were intent on greater regional self-determination and empowerment.

Over the years, Asean has been developed as a result of indigenous statesmanship, un-inspired by any extra-regional exhortation, unguided by any extra-regional power, uncontrolled by any extra-regional force.

Asean has consistently been inspired by hopes that came from within the region. Asean was at every step jointly and democratically guided by all the members of Asean, working on the basis of regional consensus.

Asean has been controlled entirely by the partners of this egalitarian regional joint venture. There was never a hub from which extended the spokes. There was never a dominant partner, although on specific issues a member country may have played a more prominent role or the interest of a particular member may have been given greater emphasis.

Leadership may mean other things elsewhere. It may mean domination, hegemony, imperialism. In Asean, we have established a Pax without an Imperium, a Peace without a protector.

Leadership in Asean has most often meant leadership in sensitivity and consideration for others, in wisdom, in effort, in responsibility and in sacrifice — not leadership in dictating decisions and reaping benefits.

It is in this context that I call on Japan, China and the other great nations of East Asia to provide leadership.

Ladies and gentlemen, We of the Asean Community cannot be influenced by the experience of the last generation and by the history of Asean.

I believe that it is now time for all of East Asia to launch a process — on top of and over all the other important processes which are already in place — a process whose final destination is a zone of co-operative peace and prosperity stretching from Jakarta to Tokyo.

There are those who say that "if it ain't broke, don't fix it". Most of us in East Asia believe in the "Kaizen" principle: that improvement should come not with one great leap but by continuous little steps. We have a legiti-

mate right to want our region to be a zone of sustained co-operative peace and prosperity, living in productive harmony. If this will take a hundred years, the sooner we start the better. And it is best to start in the most propitious of circumstances.

I have argued that the strategic circumstances of East Asia are better now than at any time in the last century and a half. Peace is best made when there is peace. It is too late to wait until it has broken down. Prosperity is best striven for when there is prosperity. It is too late when nations have their backs to the wall. And we must make our East Asian peace and prosperity together. And together make hay while the sun shines.

We should not do when the thunder-clouds are in the sky. We cannot do when it has started to rain and pour.

We must begin on our long journey with small, pragmatic and productive steps. And we must expect our friends in other parts of the world to understand our aspirations, even as they give us the advice that we need and the help that we require.

I hope, I may be forgiven for harbouring long-term hopes for East Asia. I believe that the immediate need is for East Asia to do two things. First, to take advantage of the regional synergies and opportunities for co-operation in order to maximise the short, medium and long-term mutual economic advancement of the region. Second, to build a productive coalition for the success of the Uruguay Round, for the sustenance of the open multilateral global trading system and for other non-trade goal that are productive of regional and global economic interests.

Ladies and gentlemen, I would also like to take this opportunity to touch on Malaysia's proposal for an East Asia Economic Group. From the very beginning, the proposal was misunderstood as an attempt to create an inward-looking trading bloc. Let me put the record straight once again.

In proposing the East Asia Economic Group we are not only not proposing a closed, inward-looking trading bloc for East Asia but we are not even proposing any kind of trading bloc for East Asia.

We are not advocating a preferential trading arrangement, or a free

trade area, or a customs union, or a common market or an economic union for East Asia.

What we wish to see is the establishment of a loose consultative forum for the economies of the region. This forum should have both a regional agenda and an extra-regional agenda.

In pursuit of the internal regional agenda, the economies of East Asia should meet regularly at the ministerial level to discuss how we can enrich our regional economic co-operation for our mutual economic benefit in the short, medium and long term. In pursuit of the external extra-regional agenda, we should discuss how we can act in concert to enhance the chances for the success of the Uruguay Round, the perpetuation of the open global trading system, and other global public good.

We are not particular about the name for this process. When Indonesia proposed a change from East Asia Economic Group to East Asia Economic Caucus, Malaysia saw absolutely no problem. We initially chose the word Group because of our acquaintanceship with the Cairns Group, which as you know, is the group of agricultural exporters who have played a most substantial role in the Uruguay Round. Indeed, when I first wrote to all the heads of government in Asean, setting out our proposal, I specifically referred to the establishment of an East Asia Economic Group "a la the Cairns Group".

The Singapore Declaration issued at the end of the last Asean Summit held in Singapore in January last year stated: "With regard to an EAEC, Asean recognises that consultations on issues of common concern among East Asian economies, as and when the need arises, could contribute to expanding co-operation among the region's economies, and the promotion of an open and free global trading system."

Asean is now working out the details and the modalities. The EAEC proposal is now entirely in the hands of Asean. Asean will have to decide on what form the EAEC will take. As you know, Asean decides by consensus. Malaysia is only one of six members.

For what it is worth, let me set out what I think should be the design parameters for the EAEC —

design parameters, which probably will be equally relevant to whatever other East Asian economic co-operation process is undertaken in the years ahead.

First, we should be concerned with both a regional and an extra-regional agenda.

Second, with regard to both the internal and external dimensions, although trade is crucially important, we should not be confined to trade. In East Asia, especially, there is also much that can be done with regard to optimising joint development zones, investment, technology, tourism, even labour flows. The areas for co-operation — from privatisation to infrastructure development — are too many to enumerate.

Our own regional market must be increasingly open to others. We must continue to liberalise.

I believe very strongly in attracting foreign investment from every corner of the globe, and the inflow of technology, know-how, entrepreneurship and modern management from the widest and richest possible range of sources. Otherwise, we will only be hurting ourselves.

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

Sixth, we must seek to contribute to a sense of security and well being on the part of all the economies of East Asia.

Seventh, whatever schemes of co-operation we embark upon must be rounded upon the princi-

ed our rightful place in a world that has already changed.

We have a dynamic present to traverse and a dynamic future to make. This is a journey we cannot make alone. Asia should eagerly extend the hand of friendship and co-operation to all nations, regions and continents which are willing to work with us in true partnership.

I thank you,

We must not be inward-looking. All our economies should continue to be strongly outward-oriented. The whole world must be our marketplace. Our own regional market must be increasingly open to others. We must continue to liberalise.

I believe very strongly in attracting foreign investment from every corner of the globe, and the inflow of technology, know-how, entrepreneurship and modern management from the widest and richest possible range of sources. Otherwise, we will only be hurting ourselves.

Third, on matters related to world trade, we must be champions of free and fair trade. We must champion the cause of global trade liberalisation, of multilateralism, of an open global trading system, of the Uruguay Round and of Gatt and its spirit, principles, rules and regulations. Fortunately, because we are amongst the most dependent on foreign trade in the world today and because we are so competitive that we will do very well within any fair and free global trading system, the position advocated is the natural one for us in East Asia to take.

Fourth, we must champion the cause of open regionalism. If we agree to do something on regional trade, we must ensure that no new or higher measure of protection and discrimination should be introduced against those outside East Asia. The present levels of real protection and discrimination should be pressed down even lower. No economy should ever be required to raise its levels of protection and discrimination to some higher common, regional level.

We must not be inward-looking. All our economies should continue to be strongly outward-oriented. The whole world

must be our marketplace. Our own regional market must be increasingly open to others. We must continue to liberalise.

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

It is fundamental that we should not shut others out of the region. This will be such a stupid thing to do that those who accuse us of wanting to do this must be somewhat feeble of mind. Or, they must think that we are feeble-minded. Instead, for our own national and regional interests, we must seek the fullest engagement of all the best companies and all the most important economies of the world within our region.

Ladies and gentlemen, Let me end as I began, on the wider theme of Asia in a changing world order.

The Asia of today is no longer the Asia of the past. We must be accord-