

Text of Datuk Seri Dr Mahathir Mohamad's speech at the leaders' forum of the 26th International General Meeting of the Pacific Basin Economic Council in Seoul

Open regionalism will benefit all

LET me begin by thanking the Pacific Basin Economic Council and the Korea PBEC Committee for giving me this opportunity to be with you today.

Politicians very often have an over-inflated view of what they are and what they do.

After many years in Government, I know for a fact that you and your colleagues throughout the Pacific Basin have been the primary engineers and builders of the Pacific prosperity that we have seen today.

You and your colleagues of the private sector, not those who strut the stage of world politics, will also be the primary engineers and builders of the Pacific prosperity of the future.

For this Pacific prosperity to be guaranteed, the Pacific must always remain open.

Unless we shoot ourselves in the foot, our Pacific economy will be substantially more than 2.5 times the size of western Europe by the year 2020.

This will not mean that much if the Pacific is divided into closed blocs. Therefore, it is crucially important to ensure an open Pacific — and that means an open East Asia.

Before I argue about the necessity to fight for open regionalism, not only in our part of the world but also in every part of the world, allow me to outline some basic facts.

First, the premise of the theme of this meeting is absolutely correct. Our objective must be globalism.

In the context of trade, open globalism must be the first and the best choice.

The entire world should be a single marketplace, a single trading bloc, with as few obstacles and distortions as possible to the freest exchange of goods and services.

Free trade, like democracy, is full of imperfections. But free trade like democracy, is by far the best model. Free trade will ensure the greatest economic good for the greatest number of people.

The message of the mar-

ketplace is being preached to the emerging market economies in every corner of the globe.

Market economy makes sense within the domestic economic system. Market economy also makes sense within the global economic system.

The command economy makes nonsense within the domestic economic system. The command economy

Initiative, the United States-Canada Free Trade Agreement (and now the North American Free Trade Agreement), all of which do not include Apec (Asia Pacific Economic Cooperation) economies outside northern America. Canada is involved in the last two.

Australia and New Zealand in fact pioneered the trade bloc business in the Pacific.

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also makes nonsense within the global economic system.

It would seem to be a great travesty if we preach the virtues of open competition and open marketplace and then act to ensure trade on the basis of closed markets and political commands and managed trade.

A second fundamental reality: even as we recognise that regional trading blocs can, at the most, only be the second best option, we all have to accept the fact that whether we like it or not, economic regionalism is not going to go away.

Indeed, the tide of economic and especially trade regionalism will advance, not retreat.

In the post-war period, more than 55 regional markets or trade arrangements have been submitted to the GATT (General Agreement on Tariffs and Trade) for its notice and examination.

In every area of the world, a regional trading arrangement or bloc has been attempted or is very much already in place.

The only major area in the entire world where it has never been seriously tried out is Northeast Asia.

All the members of Apec (except for those in Northeast Asia) are already involved in one trading bloc or more: the United States in the United States-Israel Pact, the Caribbean Basin

As long ago as 1965, they signed the New Zealand-Australia Free Trade Agreement. These two economies upgraded their version of Nafta into a more effective Australia-New Zealand Closer Economic Relations Trade Agreement or Anzcerta in 1983.

Both countries are also the mainstay of the South Pacific Forum.

Again, both Anzcerta and the South Pacific Forum do not include Apec members outside Australasia or the South Pacific, although no one accused these countries of trying to be exclusive.

In the western Pacific, the Association of Southeast Asian Nations (Asean) started life as a loose consultative forum in 1967.

However, from January this year, it phased in Afta (Asean Free Trade Area) a process intended to create a virtually free trade area over a wide range of goods by the year 2008.

Again, no Apec member outside Southeast Asia is a member of Asean, although Asean already has a loose consultative forum called "the PMC (post-ministerial conference) process", which involves the United States, Australia, New Zealand, Canada, South Korea and Japan (and China and Russia as guests), long before Apec was formed.

Trade blocs are by definition groupings which have a common set of market access conditions among member economies which are not accorded to those outside the bloc.

Given that trade blocs are not going to go away and look set to proliferate, I believe that what global statesmanship must ensure is that as many trade blocs as possible will be as open as possible and will contribute to global liberation rather than global protectionism. We must fight for "open regionalism".

No doubt, we are all going to have a great time discussing and disagreeing about the meaning of "open regionalism".

Your sister institution, the Pacific Economic Cooperation Council (PECC)

last year adopted the San Francisco Declaration on Open Regionalism.

The PECC has pledged to become a movement for "open regionalism". The theme of this very PBEC meeting is "open regionalism."

Now all we have to do is agree on what "open, regionalism" means.

In my view, there is open regionalism if the participants in a regional enterprise:

- go into it with the purpose of liberalising the conditions, for economic intercourse between its members;

- if they launch the regional enterprise without the desire to raise drawbridges and man the battlements; and,

- if they have the intent of reducing the barriers to economies outside the region.

This is no doubt a rigorous test. Most of the 55 post-war trade regionalism schemes I have mentioned failed the test because many may have passed the first condition, many may have passed the second but almost all failed the third.

"Project 1992", the creation of a full economic union by the European Community, certainly did not have the intention of reducing the barriers to economies outside the European Community.

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Open regionalism will indeed be a great contributor to the open global trading system that we want and that we must all fight for.

For any regional enterprise to be an example of open regionalism, therefore, I believe it is necessary for the involved parties to have the intent of opening up their region to the outside world. This may not be the primary intent. But the intent must be there.

To qualify as open regionalism, in my view, it is even more important to pass the test of result or outcome.

Open regionalism exists in fact only if:

- there is actual internal trade liberalisation; and,

- the barriers to outside economies are actually reduced.

Intent without outcome is not sufficient.

If any regional enterprise fulfils these requirements,

there is no need for the question mark behind your question: "Open Regionalism — A New Basis for Globalism?"

Open regionalism will indeed be a great contributor to the open global trading system that we want and that we must all fight for.

We have had more than 20 years of creeping protectionism. President Bill Clinton has himself stated that whilst the developing

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countries have been reducing their protective walls, 20 out of the 24 countries of the OECD (Organisation for Economic Co-operation and Development) have been raising protective barriers.

Voluntary export restraints are now negotiated as a matter of course.

Trade sanctions are openly talked about between countries which call themselves friends.

Politicians can without shame ask other nations to buy so much of this and

— so that we can be a coalition, building the necessary regional organ to strive for the success of the Uruguay Round and for the type of open global trading system that we have had since Bretton Woods.

This open global trading system has allowed us to become what we are today. On this open global trading system, much of our future depends.

For us in East Asia, this

is truly a matter of life and death. Yet, we are mere bystanders as our friends cynically quarrel over what seems to be literally peanuts.

What they do or do not do will determine our future. Should we not seek to empower ourselves so that we can fight for our national, and regional interests and for the good of the entire world?

Our proposal for East Asian economic co-operation is also propelled by the desire to ensure that East Asian regionalism develops in the most productive way possible, in a way that is most productive for all the economies of the region, without forgetting our friends who are geographically located outside East Asia.

Whether we like it or not, whether we want it or not, East Asian economic interdependence and integration is taking place at a ferocious pace now and is going to continue at the same pace.

East Asian economic integration, unlike integration in Europe and elsewhere, is completely market and business driven.

And I believe that the future economic integration of East Asia should remain market and business driven.

I also believe that Governments should lend a helping hand. We should sit down together now and again to talk about what is happening, and if possible, accentuate the positive and try to do something about the negative.

Obviously, we must work on the basis of mutual benefit, mutual respect, egalitarianism, consensus and democracy.

We must ensure that all of us in East Asia feel secure and that our friends elsewhere do not feel threatened.

We should further free the productive forces of enterprise.

At the same time, we should also co-operate to champion global trade liberalisation, the Uruguay Round and GATT. And we should ensure that what is already inevitable — East Asian economic interdependence, integration and co-operation — will be an example to the world of open regionalism.

I don't think this is very difficult because all these things are very much in our national and regional interest.

It is also very much in our interest that we secure the foreign direct investment, portfolio and capital flows, technology, know-how, entrepreneurship and modern management that we need from every corner of the world.

I do not want an open East Asia. I must say I prefer a very open East Asia.

Such a very open East Asian economic co-operation will most definitely be a contribution to an open world, to the globalism that we can all be proud of.

The EAEC will help bring about this very open East Asia. The vibrancy and dynamism of this region should benefit not just the region, but the world as well.

The East Asian countries have proven their ability to accept and adjust to new systems and benefit from them.

We admit that in many fields the West have the lead, but East Asia is not without the wisdom which can shape the New World Order.

To keep the East Asians from contributing to the new philosophies and systems because of unwarranted fear is to deprive the world from the vast store of knowledge and skills that the East Asians have accumulated in the process of their rapid development.

So, do not prevent us from coming together for we can contribute to the globalisation process. No one will lose. The world can only gain from the formation of the open East Asia Economic Grouping.