

THE ASEAN-US ECONOMIC CONFERENCE  
KUALA LUMPUR HILTON,

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Tuan-tuan Yang Terutama;  
Dif-dif Kehormat;

Tuan-tuan dan Puan-puan sekalian.

Let me, first and foremost, extend to you all a very for the trouble you have taken. It is my sincere hope that during your brief stay in Malaysia you will learn more about ASEAN and something new about this least known member of ASEAN.

2. This ASEAN-U.S. Economic Conference, to my mind is a very important gathering. The idea to convene this meeting which came up early in 1980 has now become a reality no too long after the decision. This only indicates the commitment and seriousness that both the parties, the ASEAN side and the U.S. side, view the potentials of their interaction and cooperation for mutual gain and benefit.

3. Gathered here today are many prominent and influential people from the ASEAN countries and the U.S. representing the business sector as well as the government. In this modern age life has become so complex that it is impossible to demarcate between what is purely business and what is a public issue. Government cannot function without some business involvement and business needs Government more and more, even when the free enterprise system is wholly espoused. Thus your presence, the representatives of the various fields of the private sector as well as the officials of the relevant agencies of the Governments can go a long way towards making this Conference a success. ASEAN-U.S. economic relations would be that much stronger because of the involvement of Governments with the business of business.

Ladies and Gentlemen.

Appropriate and timely. All of us are very well aware of the need to transform the world economic order so as to arrive at a more truly just and equitable situation for the benefit of both

the developing and the developed nations. I believe that for such a system to evolve there must be sincerity on all sides. This sincerity must not be just a word in the dictionary of conventional diplomacy for what is really sophisticated arm-twisting and manipulative endeavour for achieving more advantage by the already advantaged. What we need today if we are to achieve some semblance of a fair distribution of international wealth is sincerity based on true friendship and a clear understanding of the moral obligations that we all have towards each other. It is sad that after years of talking of a New International Economic Order we have achieved very little beyond talking. More of such talk, even if heads of States and heads of Governments are involved will not get us very far. What we need is sincere dialogue based on a firm commitment to resolve issues and solve problems. The political will to co-operate must be clearly laid down, so that officials and businessmen who are really involved in the day to day running of the economies of the world can than translate the ideas to promote the common good into reality on the ground.

5. It is in this light that I feel your meeting is an important and meaningful effort in helping to improve and institutionalize a better system and framework for cooperation between nations. For us in ASEAN, cooperation is the key to our future. It is in the best interest of every ASEAN country to see to ASEAN's success as a group. We do not claim that we do not have problems or for that matter differences among us; we have learnt that through goodwill and cooperation we can achieve at least part of the goals that we have set for us. Today we see increasing cooperation not just at the level of officials but among the professionals and the people in general. Our cooperation with third countries is also bearing fruits. In fact your meeting is a result of this new and increasing understanding and spirit of cooperation between ASEAN and third countries, whether singly or as groups.

6. I need not dwell at length on ASEAN as an entity. I am sure most of you are acquainted with this region. ASEAN's strategic location, its economic resources and potentials, and above all, the region's commitment to free enterprise and the market economy are not unfamiliar. With a population of more than 250 million people, stable governments, a responsive work force and with abundant natural resources, we possess the necessary ingredients to stimulate a more vigorous economic growth. The political and economic stability in the ASEAN countries are indeed remarkable assets considering the general tendency towards instability of the region as a whole. This stability is

no fluke. It has been worked at. And countries which can work towards the achievement of such stability must be considered reliable by those venturing from outside the region.

7. One of ASEAN's primary concern is the maintenance of peace and stability in this region. This concern is reflected in our efforts to create a Zone of Peace, Freedom and Neutrality (ZOPFAN) in Southeast Asia. We believe that it is only through peace and stability that we in the region could devote more time and effort in the pursuit of economic and social development. We in ASEAN strongly believe that the strength and stability of a country depends not so much on its armed forces but more importantly on our ability to intensify economic development and provide a better quality of life for our people. In this day and age, wars of conquests are no longer fashionable. Countries are subjugated through internal upheavals. We in ASEAN are acutely aware of the need to remove the causes of such upheavals. Our economic policies and development are designed so as to contribute towards political stability. Pure economic accomplishments without regard for the welfare and desires of the people has been shown to be a destabilizing factor and even a cause of the downfall of Governments. Thus, our economic policies are based on clear and definite political objectives. If we impose conditions on foreign investors, it is not because we grudge you your profits, but because we have a need to reconcile foreign economic incursions with national aspirations. In the long run, the political stability we achieve is for you, much more worthwhile commercially than the short-term profits you might make.

Ladies and Gentlemen,

8. Next to political stability, ASEAN values highly the need to maintain economic growth with price stability. As a matter of economic philosophy, ASEAN believe that the objective of stable economic growth can best be achieved in an environment of free enterprise in a market economy. Private investment, both domestic and foreign, is encouraged to expand and to seek new opportunities to raise productive capacity in the region. We encourage the private sector to achieve greater profitability through higher productivity. In return, we expect investors and entrepreneurs to be responsible corporate citizens.

9. The role of Governments in ASEAN is centered on maintaining a stable economic environment. We learn a lot from each other and consequently there a great deal of similarity in the policies on economic growth pursued by ASEAN countries. One of the things

that we know investors value highly is predictability. Consequently since the formation of ASEAN we have avoided making sudden tangential departures from set courses. We do not nationalize, for example. However, if you sell your shares in the market we pertaining to economic policies is our asset. It has contributed to a stable economic environment. Apart from this we have invested heavily in education and training. The productivity of our work force is accordingly high. At least three of the ASEAN nations are able to export highly trained labour. But as ASEAN progresses their workers will come back to help with the development of their countries.

10. Strong Governments are also characteristic of ASEAN countries and this must enhance economic stability. Sudden ideological changes are not our style. We are all committed to promote stable growth with equity.

11. The world is passing through a most difficult economic period. Recovery does not seem to be within sight yet. The recession in the industrialized nations naturally has a debilitating effect on the economy of the producers of primary commodities like the majority of ASEAN countries. In an attempt to get away from over-dependence on a few primary commodities, we have started to diversify and industrialize. Efforts at agricultural diversification have made us more resilient; but, the moment we begin to take advantage of our international comparative advantage position to move downstream and process more and more of our primary produce for export, the markets in the major industrial countries begin to change the rules of the game. Now our industrialization programme is being held up because global recession does not enable us to earn enough from our primary commodities. Also we are not able to sell the few manufactured products which we have been able to produce efficiently and at competitive prices because of increased protectionist sentiments in the developed nations.

12. These external factors make the job of maintaining economic stability by the ASEAN Governments very difficult. For us, the conduct of international trade has become a game of tails I lose and heads you win. Furthermore, we are dismayed at the slow progress on the part of the major industrial countries to get out of their recession and combat inflation. With the exception of Japan, they appear to be caught in the web of high interest rates, high consumer prices, high wage demands, low investment, low productivity and low or no growth. In our growing interdependent world, their continuing stagflation generates a general malaise in world trade and growth, to the detriment of

the least developed nations which can ill-afford to be confronted with such a situation. Worse, much of the high inflation is exported to the developing countries, thereby adding to their gloom.

13. Taking all these into consideration, it is remarkable that the ASEAN countries have been able to maintain fairly steady and comparatively high growth in real terms. There may be many factors contributing to this stability of economic growth but it will not be wrong to say that there is a strong element of good management of ASEAN Governments and their policies. This by itself should again be a plus for foreigners doing business with ASEAN.

14. The liberal attitude of the ASEAN Governments is yet another factor in the growth and stability of the ASEAN countries. Funds flow fairly freely in and out of ASEAN countries. There are regulations, of course, but they are minimal as compared with other developing countries. Consequently the fear over the recovery of capital or profits does not deter investors. The nett result is a greater inflow of funds and technology which contribute towards growth and economic stability.

Ladies and Gentlemen.

15. The ASEAN countries are the original Spice Islands of history. European nations fought wars in order to have access to the spices of the Spice Islands. Today, ASEAN it is not only a leading producer of spices but provide the world with 91 per cent of natural rubber, 87 per cent of tin, 88 per cent of palm oil, 73 per cent of copra, and 62 per cent of tropical hardwood apart from petroleum, copper, abaca and cocoa. In addition, there is a vast hydro-electric potential. Clearly the ASEAN countries have tremendous resources. The world is welcome to these resources, but while wars of conquests are no longer necessary in order to get at them, good commercial practices are still valuable.

15. The ASEAN countries naturally do not want to be merely storehouses for commodities. They want to add value to commodity base is processed or manufactured in the region. In order to derive the maximum benefit from the production of raw materials, ASEAN has definite plans to attract joint-ventures in the processing and manufacture of raw materials on a large scale. Relatively cheaper labour and other overheads as well as abundant resources and numerous investment incentives should make such industries very worthwhile indeed.

17. Political stability, predictability, sustained and whether foreign or local. Clearly ASEAN is a good bet for progressive and forward looking businessmen. Already those who have come and invested are reaping rich harvests. Some ASEAN countries, like Malaysia for example, have become significant exporters of components for high technology products like computers as a result of foreign investments. Exports of electrical products are also on the increase. Our effectiveness in the export of resource based manufactures has begun to make inroads in even the most competitive international markets.

18. The emphasis on resource-based industries imply continuing reliance on imported capital goods. The ASEAN nations are not intending to compete with the developed countries. Rather they wish to complement. And as their prosperity increases with economic growth they will provide rich markets for the goods of the industrialized nations. 19. Import accounts for no less than one-third of the GNP of the ASEAN countries. In one or two the ratio is much higher. In the 1970s, ASEAN imports expanded at about 23 per cent annually, financed mainly by its equally rapidly rising exports, which rose by an average 25 per cent a year, and by abundant private savings. Reflecting this buoyant situation, growth in productive capacity had also accelerated. Fixed investments rose at an annual rate of between 20-23 per cent in the 1970s. This dynamic process has been sustained so far in the 1980s.

Ladies and Gentlemen.

20. This being an ASEAN affair I would not like to speak much about Malaysia. A few words about this least-known of ASEAN partners are however not out of place, I think.

21. Malaysia has been a very consistent exponent of all the policies of ASEAN. Indeed long before ASEAN was mooted, Malaysia has already made clear its belief in the free enterprise system and its welcome for foreign investors. Consequently, steady economic growth has been a characteristic of Malaysia almost since independence in 1957.

22. This economic achievement of Malaysia is that much more noteworthy considering that Malaysia is plagued by a number of intractable internal problems. Foremost among them is the unequal development of the component races in Malaysia's multiracial society. To reduce this inequality requires active steps by the Government. Thus in the early 70s the New Economic

Policy was adopted with the twin objectives of eradicating poverty irrespective of race and the restructuring of society so as to eliminate the identification of race with economic function. Both these thrusts are essentially economic. Consequently the growth of the economy has to be subjected to some restraint. Yet, despite these fairly considerable constraints Malaysia's real economic growth has been maintained for many years at the rate of approximately 8 per cent. And this growth has been achieved without significant inflation.

23. The New Economic Policy is in the interest not only of Malaysians but also the foreign investors. It has enabled the political climate to remain stable, thus preventing the wild changes of policies that are so damaging to business, and also preventing the kind of disruptive activities that people under political tension are prone to.

24. Malaysia is ruled by conservatives whose only desire is to develop the country for the benefit of the people. Radicalism and extremism has been rejected not only by the Government but also by the people. There are of course extremists and fanatics but they have not been able to make headway among the masses. There is consequently little fear of anti foreign agitations of the kind seen in some countries. However, it does not mean that Malaysians don't have national pride or they are not sensitive. They are likely to be peeved if you say they live on trees.

25. Malaysia at the moment is diversifying her economy so as to be free from excessive dependence on the production of raw materials. An industrialization programme, which started almost as soon as independence was achieved has gained momentum steadily. This programme is quite dependent on foreign participation. Certain rules and regulations have been formulated so that while the foreign investors are not deprived of their profits, Malaysia and Malaysians fully benefit from the process of industrialization. The latest move is into heavy industries and high technology industries. With little indigeneous expertise, the participation of foreigners is even more welcome in these areas. Of course Malaysia expects a significant transfer of technology in the process.

26. How successful these programmes and policies are, you can see for yourself. Kuala Lumpur is a bustling capital where once it was a sleepy colonial administrative centre. What you see in Kuala Lumpur you will see all over Malaysia, from Kota Kinabalu in Sabah to Kangar in Perlis. The Government has deliberately

spread out the development so that there is even growth. Locational incentives are used to achieve this.

27. I hope that this rapid sketch of Malaysia and its potentials is not out of place here. However, it would be a pity if I left you without saying a few words about inflation in Malaysia, even though much of this is imported. Although inflation is fashionable today, it is quite an alien experience for us. We had managed to grow strongly up to the early 1970s with an average rate of inflation of only about 1 per cent annually. For the most part of the 1970s, inflation was less than 5 per cent a year. But, we are realistic enough to recognise that so long as the industrial nations continue to inflate at a high rate, we will have to deal with it squarely. As a matter of public policy, inflation will be controlled and reduced progressively. We intend to have a firm grip here through fiscal and monetary discipline. We have many things going for us: the economy saves 25-30 per cent on the GNP; monetary expansion is kept consonant with output growth; we balance our current budget and whatever surpluses we have, together with the traditional but reliable flow of private savings with specialised institutions, are normally sufficient to finance the bulk of our development programmes. Whenever we need to supplement these funds, we borrow from abroad. Because we do so infrequently, our external debt servicing ratio is at present only about 2 per cent of our export earnings. No matter what happens, we are determined to ensure that world inflation will not engulf us. I am sure you will agree that this is good for business.

Ladies and Gentlemen.

28. I hope that you will take this opportunity to understand this region better and to explore ways and means of establishing better cooperation between American businessmen and financiers with ASEAN's counterparts. If you can do this you would be doing more in the area of North-South cooperation and the establishment of a New International Economic Order than all the other much publicized meetings. I wish you all fruitful deliberations.

Thank you.