

QING HUA UNIVERSITY, BEIJING, "REGIONAL CO-OPERATION: CHALLENGES AND PROSPECTS"

QING HUA UNIVERSITY, BEIJING, CHINA

22 NOVEMBER 1985

The President of Qing Hua University; Distinguished Members of the Academic Staff; Ladies and Gentlemen.

I am indeed honoured to be here today to accept your invitation to visit Qing Hua University. I have heard much about Qing Hua University and its role as the premier centre for education and scholarly pursuit in China. I understand that your Government is now giving great emphasis to education and views institutions such as this as important training grounds for the future leaders of China. Accordingly I regard it as a great honour to address the people who may in time lead China.

Mr. President, Ladies and Gentlemen.

2. Malaysia and China are two very different countries. Our history, for example, has unfolded in very different settings. Our respective cultures have evolved in different socio-political and geographical milieu. Our past experiences bear little similarities. In the recent past the paths we have taken towards political, economic and social advancement have been divergent. There have also been times when we have viewed each other with suspicion and distrust. I dare say that some of this lingers on. Nevertheless, despite these differences, we must not allow ourselves to be blinded to the realities of our involvement in the destiny of this region. Whether we like it or not, we are neighbours and our actions and policies are bound to impact on one another. Therefore, if we are to realise what I believe to be our common objective of achieving a stable, peaceful and progressive region, we must relate to and work with each other. Equally important, we must also relate to and work with all our neighbours in the region. No country is an island. No country can stay in splendid isolation forever.

3. Since the early 70's, Malaysia's foreign policy has increasingly operated on this principle of inter-locking and shared destiny amongst neighbours. You will recall that within our own quadrant, Malaysia and its immediate neighbours initiated and refined the idea of Southeast Asian co-operation. The offspring of that idea, the Association of Southeast Asian Nations or ASEAN is now 18 years old. It will not be an exaggeration to say that ASEAN has proven to be a most enduring and beneficial organisation.

But lest it be forgotten, let me reiterate that ASEAN was also premised on the concept of good neighbourliness with all countries, particularly those contiguous to the ASEAN region. Indeed, the ASEAN initiative of the Zone of Peace, Freedom and Neutrality envisages a zone where the legitimate interests of all countries would be given equal and fair attention.

4. Since those heady days of the early 70's, there have been many changes within our respective countries. In my country, our people have made major advances towards consolidating national unity and resilience. Economically, we have moved from being merely a producer of primary products. The launching of the first made-in-Malaysia car, the Proton Saga, last July was indeed a major triumph for us on the road to industrialisation. These together with other socio-economic programmes have resulted in perhaps an unparalleled level of prosperity for our people. Economic development has also been a major factor in reversing the tide of insurgency in Malaysia.

5. Within China itself, the last few years have witnessed many great changes. As an observer it seems to me that you have achieved a great measure of political stability and a consensus with regard to the path you wish to take towards development. You are also experimenting with new ideas to speed up your modernisation. In many ways, the China I briefly visited in 1979 has changed beyond recognition and China has never been more open to the outside world.

6. Regrettably, these positive developments within our respective countries have not been accompanied by positive developments within the region at large. We seem to have been unable to shake off regional conflicts and often the protagonists appear to have simply changed sides. I refer of course principally to the tragedy of Kampuchea. Not only has the situation there brought untold suffering to the people of Kampuchea but it threatens to gradually draw us all into its vortex. Then there is the on-going rivalry between the two super-powers manifested in the slow but steady militarisation of our region. Equally important, on the economic front, rising protectionism compounded by a fundamentally unjust economic system stalks us relentlessly. As the economic down-turn continues, the developed countries will undoubtedly utilise their entrenched position within the system to enhance their interests at our expense. If left unchecked we could soon find our economic progress negated and we would be reduced to being the hewers of wood once again.

7. I think the time has come for us to seriously ponder the political and economic future of our region. It is not enough to seek political stability and economic development within our respective countries while storm-

clouds gather on the region's horizon. As I said earlier we must not be blinded to the realities of our shared destiny in this region. More than a decade ago this realisation prompted my predecessor, the late Tun Abdul Razak, to journey to China to begin the process of normalisation. Unfortunately, through inaction and perhaps indifference we have allowed the initial momentum of Tun Razak's visit to dissipate. We must revitalise it and seek ways to begin anew the search for a regional consensus. I wish to share with you some thoughts on this and to give you a Malaysian perspective of how China can help contribute to the achievement of a peaceful, stable and dynamic region.

8. Historically, the modernisation impetus of the Great Powers Britain, Germany, France, the United States and Japan occurred at a time when most of Asia was weak and economically backward. This led to a situation wherein the big-powers were able to seek hegemony over us. China's modernisation occurs at a time when we, the smaller countries in the region, are also seeking to industrialise our respective nation-states. I believe that together we now have a unique opportunity to establish a more just and equitable regional order and avoid many of the past mistakes of the former imperial powers.

Mr. President, Ladies and Gentlemen.

9. The great struggles for freedom from colonial and imperial domination are, in the main, over. With few exceptions, the Asian States have won their struggles for political emancipation. The era of great political revolution now lives on only in the minds of a few misguided and disgruntled individuals who have not been able to make the transition to the new era. For the most part, the Asian states of the region are now caught up in the grips of a new and peaceful revolution that is immensely more satisfying and productive: an economic revolution to forever free our respective peoples from poverty, unemployment and underdevelopment. A necessary corollary of this struggle is the fight for a more equitable economic order. This is the reality of our times. To borrow a phrase from your Central Committee we must now put 'economics in command'.

10. Both Malaysia and China, as well as others in the region, have embarked on ambitious development programmes. These development programmes are to be principally engineered and realised by the respective countries themselves. This is as it should be for there can be no substitute for hard work and careful management. However, in an era of interdependency, no single economy can stand in isolation. The fruits of our labour, our ingenuity and our resources must be exported if we

ourselves are to be able to import the things we need or desire. This is a simple fact of the market place. It was true at the time of the great silk caravans and it is no less true today. And yet, despite this, many developed countries who share a role in this region continue to behave in a narrow self-centred manner. They impose all sorts of trade barriers, particularly for goods originating from developing countries, while vigorously and aggressively pursuing bigger markets in the developing countries. Then there are freight and insurance services the invisibles which continue to be manipulated and controlled by the developed countries. The exports of developing countries are shipped and insured by the developed countries and so are their exports. The developing countries have no share. The consequences of these practices are widening balance of payments deficits for developing countries and increasing external debts which the developed countries are only too happy to underwrite with recycled loans and credit. While the phenomenon of massive external debt is not as pronounced in this region, we cannot afford to be complacent. If we do, I fear that we will end up mortgaging to the developed countries the inheritance of future generations simply to keep our economies afloat.

11. Much has also been said of the technological revolution that would propel mankind to a new era of prosperity. After much argument and foot-dragging the developed countries now grudgingly accede to technology transfer. But this in itself is not enough. We seek new technology not simply for technology's sake, to be admired and marvelled at like some rare artifact. We seek technology to improve our productivity as well as our export performance. If the developed countries then raise barriers to our exports, what good would the technology do. We would end up producing highly competitive goods which we cannot sell.

12. In this region, as it is internationally, the developing countries are limited to the role of suppliers of commodities to the developed countries. Blatantly they manipulate the commodity markets and perpetuate institutions that serve only their own interests. For too long we have been at the mercy of these developed nations. The developing countries of the region need to ask themselves whether in the future these two groups - producers of raw materials and consumers of raw materials - will be formalised to the advantage of the latter. We in Malaysia will not accept this.

13. These are but some of the underlying economic distortions in the region. Talking about it will not by itself change things. We have to consistently pursue the desired change. Otherwise it will not occur. Let

those who most extol the virtues of such concepts of regional cooperation like the Pacific Basin Cooperation act to redress these grievances.

14. But what about the developing countries in the region? What can we do in the meantime? I am convinced that there is much that we can do. We can collectively demand a better economic deal in tandem with the dialogue that has already begun for a New International Economic Order. We can press for the removal of trade barriers and an end to commodity manipulation. We can co-operate with each other in freight and insurance matters so that we can retain a greater proportion of these services for our own economies. We can increase bilateral trade and expand economic co-operation whenever this is possible. We must use whatever little leverage we have together so that the effect will be greatly enhanced. But to do this we must develop some kind of loose consensus that would reflect our collective interests.

Mr. President, Ladies and Gentlemen.

15. China has often described itself as a developing Third World country. It must therefore take its place alongside the developing countries of the region and actively and effectively pursue policies that would help realise the new economic order. China has already moved along this path by joining us at the GATT and UNCTAD negotiations and at INRO. We would also like to welcome China at the International Tin Council and in other fora. China, with its fast growing merchant fleet, can also assist in the transportation of our exports at fair rates. We could pool resources to cover insurance services as well. Equally important, we could strengthen bilateral trade and expand the range of goods and services between ourselves. Lest I be misunderstood, let me make clear that I do not seek this for Malaysia alone but for all the developing countries in the region. This is especially important as China has favourable trade balance with all the Southeast Asian countries.

16. Let us seriously examine how we can mutually partake of the fruits of each others modernisation and industrialisation in a mutually beneficial manner. The potential for such co-operation is vast. For example, we are already discussing the possibility of processing China's iron-ore imports into 'hot briquetted iron' -an energy intensive operation, at Labuan, utilising Malaysia's abundant natural gas. We could also refine barter trading or counter-trading, and of course, we could enhance the process of exchanging experience and technical information under the auspices of ESCAP, UNDP, UNIDO and other organisations.

17. No discussion of China's role in economic cooperation in the region would be complete without touching on the fears of the smaller developing countries with regard to China's modernisation itself. While we sincerely welcome industrialisation efforts and hope that it would enhance economic and political stability in the region, we hope that China would be mindful of the interests of the smaller developing countries.

18. China has already emerged as an important competitor in such areas as textiles, electronic goods and agricultural produce. China is also a competitor for capital. Indeed, there are fears that should China join such financial institutions as the Asian Development Bank, it would corner a significant part of its capital. This trend towards greater competition between China and other developing countries is inevitable. The other developing countries must learn to live with it. But, nevertheless such competition must unfold on the basis of equitable and fair ground rules. In seeking to penetrate foreign markets, for example, we hope that China would not seek unilateral advantages that would be detrimental to the interests of others. In addition, we should also try to co-ordinate the export of common primary commodities like tin. Otherwise we will be playing into the hands of the rich consumer countries.

19. We should also seek to expand bilateral trade between China and the countries of the region in a fair and equitable manner. I have already noted that all of us in South-east Asia suffer trade deficits with China. These deficits are not less unacceptable to us than China's deficit with Japan is unacceptable to China. My own country's bilateral trade with China has in fact declined since 1980 and this is despite the widely held view that China's modernisation would increase the opportunities for trade and economic links. As China's reform of its agriculture yields results, China may well have less need for some of Southeast Asia's primary and agricultural products. Bumper rice harvests in China have resulted in declining imports of Thai rice, for example. Bumper harvests of oil-bearing crops have similarly led to a decline of Malaysia's exports of palm-oil to China. If these trends continue, I fear that China's industrialisation may become less relevant to Southeast Asia in terms of its exports. For Southeast Asia, the great euphoria about the China market may well end up being a pie in the sky.

20. If we value both our trade and our overall relations, we must seriously examine ways to make that trade more meaningful by accommodating to shifts and changes in our respective domestic economies. If China has less need of our primary commodities, then let us consider how we can export more value added goods to China. Southeast Asia's export of manufactured goods to China has been dismally low, accounting, for

example, for only 5% of Malaysia's exports to China. Let us also not ignore the question of direct trade, the absence of which results in the under-utilisation of our ports and higher retail prices for Malaysian consumers.

21. So let us accept that even amongst ourselves we will be competitors for the same dwindling and protected markets. However, we can and should try to harmonise such competition whenever possible and seek ways to expand trade between ourselves. I am convinced that if we ourselves practise a greater measure of free and equitable trade in dealing with each other, the rough edges of the mutual competition for markets could be softened. All this taken together would represent a significant step towards a more positive economic situation in the region.

Mr. President, Ladies and Gentlemen.

22. Let us now turn to political issues which underpin regional cooperation. The spiralling arms race and big-power rivalry has had very significant regional impact. The very success of the West Pacific countries has attracted the world powers whose interest, they claim, they must protect. The enhancement of this military capability in the region renders the realisation of ASEAN's quest for a Zone of Peace, Freedom and Neutrality more difficult.

23. At the time when the countries of the West Pacific are concerned about the living standards of their people and are striving to improve them, the last thing they would like to see is the region becoming involved in superpower tension and conflicts. Something obviously has to be done. Collective security systems among unequals are impractical. So are schemes for policing by regional powers or a division into spheres of influence.

24. The basic need is still for everyone to subscribe to and uphold the principles of peaceful coexistence in words as well as in deeds. Let everyone condemn without partiality any breach of these principles whether by those in the region or those from outside the region. Let no one collaborate with those who commit such breaches.

25. To establish our credibility we must condemn such acts worldwide. Whether it be in Afghanistan, Kampuchea or Nicaragua; whether it be friendly or unfriendly powers which are involved, we must condemn and distance ourselves from such acts. Then and then only will we be left alone to continue with our economic restructuring and development. And in the process we will foster a great deal of understanding and friendly relations among us.

26. In the search for an enduring and stable political regime in the region, China's role would undoubtedly be crucial. You are no doubt aware that while many countries in the region, including my own, are sympathetic of your modernisation efforts, there is a feeling of uncertainty with regard to how China would impact upon the region politically and militarily. Many wonder how, and in what ways, China will exercise its political and military potency. Your neighbours, the smaller states in the region particularly, worry how this would impinge upon their territorial integrity and sovereignty. To be frank, some of us wonder whether China will seek to enhance its political influence at our expense. In a comparative sense, we are defenceless and we have no desire to seek recourse to massive defence build-ups or alliances both of which are anathema to our way of life. If these concerns appear baseless to you, I ask you to remember that historically small countries on the peripheries of a big and powerful state have always had reason to be wary.

27. In this connection, we welcome the many assurances of your leaders that China will never seek hegemony and will never do anything to harm us. We also note your assurances that China's developing military capacity is purely for its own defence. We appreciate the enormous burden of self-restraint and responsibility that this entails. I ask that you understand us, if despite these assurances, some concerns linger on, for we are extremely jealous of our sovereignty and trust does not come easily to us in view of our past experiences. Our experiences with China have not entirely been free of problems and it would take time and mutual efforts for us to put to rest some of the things left over from history. It would also take time for us to get to know each other better, to understand each others hopes, fears, concerns and aspirations. In China you have a saying that "the strength of a horse is measured by the length of time it endures". Let time then be the judge of our mutual desire and sincerity to establish good and beneficial relations. In the meantime, let us continue in small and practical ways to deepen mutual understanding and demonstrate our mutually expressed commitment to friendship and peaceful coexistence. The future of the region will, to a great extent, hinge on the success of this worthy endeavour.

Mr. President, Ladies and Gentlemen.

28. Regional co-operation is, I believe the only realistic option we have if we are to establish a peaceful, stable and progressive region. Only through regional co-operation can we harmonise our many interests and minimise our many differences. But as worthy an objective as it is, regional co-operation will not come about if we allow ourselves the luxury to only

dream of it or merely pay lip-service to it. We must begin by addressing ourselves to a whole range of obstacles that stand in the way of its realisation. These obstacles include protectionism and unfair trading practices no less than political bullying and interference in the affairs of others. Both undermine national sovereignty and negate economic progress. As you in China ponder your options for the future, it is my earnest hope that you too will see in regional co-operation the best guarantee for your progress, prosperity and security and do your part to help realise it. The road to genuine regional co-operation is admittedly a long one but as your great sage once said 'a journey of a thousand li begins with the first step'. I invite you to join us and take that step.

Thank you.