

## **OPENING OF THE FIRST ASEAN ECONOMIC CONGRESS**

**THE KUALA LUMPUR HILTON, 13 MARCH 1987**

Honourable Ministers; Excellencies; Distinguished Delegates; Ladies and Gentlemen.

I am very pleased to be here this morning to address this First ASEAN Economic Congress organized by the Group of Fourteen. I would like to extend a warm welcome to all participants to Malaysia and wish them every success in their deliberations. I am glad to note the presence of so many prominent business and political leaders not only from ASEAN but also from many other parts of the world including Europe, Australia and New Zealand.

2. It is gratifying to note the part played by the EEC Commission, the Governments of Australia and New Zealand and by ASEAN's friends from the EFTA countries in this examination of the ASEAN economic experience. Their knowledge of regional and neighbourly cooperation will enable them to suggest to the Congress the best approaches for achieving economic cooperation among ASEAN countries.

Ladies and Gentlemen,

3. You will agree with me that in its first twenty years the main thrust of ASEAN has been political. This is as it should be and we have no need for regrets. We should remember that it was political problems between us as neighbours that first brought us together. If I may say so, we have been kept separate by our former colonial masters (except for Thailand) so much so that we really knew nothing of each other and were only too ready to mistrust one another. But the resulting political problems forced us to negotiate and eventually to appreciate the futility of confrontation. We then formed the ASA and eventually ASEAN.

4. But when ASEAN was formed, the EEC was in its early idealistic years. Invariably a lot of people, particularly outsiders, saw in ASEAN a mirror image of the EEC -- an economic community. They dismissed the importance of regional political cooperation and began talking of common markets. Foreign investors and traders saw ASEAN as a huge market, access to which can be gained through one or two countries they think they could handle.

5. The reality is that we are separate nations with the interest of our own people at heart. We were not about to discard our new-found nationalism in favour of unclear regional loyalties. Although some of us were enamoured of the common market idea, most found themselves quite unable to dismantle policies and systems based on nationalism. After all the EEC then and even now is not such a resounding success.

6. But the decision to cooperate politically and to resolve problems among neighbours through negotiation is not totally without economic benefits. None of the ASEAN countries would have developed economically if their political wranglings could not be resolved. Imagine what would happen to the economies

of Malaysia and Indonesia if "konfrontasi" had continued and escalated. Imagine the money that would be lost, the tensions and the poor investment climate that would result if the Philippines' claim to Sabah had resulted in a face-off between Malaysia and the Philippines.

7. The decision to cooperate politically not only marked the maturity of the early ASEAN leaders but quite definitely laid the foundation for economic developments of the members. Although we do compete, we also learnt a lot from each other about how to manage a developing country with a market economy and dependent largely on the export of commodities. Such was the success of the ASEAN countries economically that together they became a show-piece of regional cooperation and development. It is a truism to say that no other regional grouping has done as well economically, and of course politically, as ASEAN.

8. But we musn't pat our backs too much. We have done well but we must realise that in the modern world's economy those who don't move forward will soon find themselves left very far behind. We have to run merely to maintain our position in the economic pecking order.

9. The economy of the world has changed tremendously since ASEAN was formed. For us the most telling of these changes is the collapse of commodity prices and the forced depreciation of our national currencies. As a result we are not only earning less from our commodity exports but we have to pay more for necessary manufactured goods as well as to service our debts.

10. It is axiomatic that one person's loss is another person's gain. The losses suffered by the commodity producers like ASEAN and the OPEC countries meant definite gains by the developed countries. Indeed it is estimated that the developed countries received a gift of something like 100 billion U.S. dollars from the poor developing countries in 1986 alone. Consequently their economy has grown by about three per cent, which is extremely high by the standards of developed countries.

11. But that is not all. A protectionist trend has developed directed largely at Japan. Unfortunately many developing countries are caught by protectionist laws and will suffer losses in export earnings.

12. In addition trade in goods has given way to trading in currencies and shares. There is more fast money to be made in buying and selling of money and shares than in the manufacture and sale of goods. Raw materials are not involved in this kind of business and again the developing countries will lose out.

13. In the face of all these radical changes, what do we do? Commodities may recover, as indeed some have, but they will never be as valuable as export earners as before. We may take the route taken by the NIC's -- Korea, Taiwan and Hong Kong -- i.e. we manufacture goods for exports. They are extremely well-off now. We may also take advantage of the expensive Yen -- and become the manufacturing centres for Japanese enterprises which can no longer

manufacture economically in Japan.

14. All these routes are worth trying and will no doubt help our economies. The danger is that when our exports of manufactured goods go up we may be forced to revalue our currencies as Japan has been forced to.

Ladies and Gentlemen,

15. What else is there left for us to do? As a regional grouping we must try to find some economic advantage from working together. There is really no need to give up our national aspirations completely. But we must realise that truly "National Products" are now passe. Most manufactured goods are now assembled from components made in many different countries. Even Japanese products are not wholly manufactured in Japan. With the rising Yen the foreign contents are going to increase. "Made in Japan" may soon mean only assembled in Japan. In fact the only thing Japanese about Japanese goods may even be the involvement of Japanese companies in sourcing the components world-wide and assembling them in factories located in the countries where the goods are to be sold.

16. With the expansion in science and technology no one country can hope to do everything itself. Even the most technologically advanced countries possessing the biggest market must buy certain manufactured items from other countries. No one can surpass the U.S. in making sophisticated commercial aircrafts but Americans must import electronic goods and appliances. Without governments determining policies a kind of division of labour has taken place in the manufacturing world. That division must extend to the developing world -- which must be allowed to manufacture the kind of goods they are most likely to be efficient at.

17. We must not therefore be too concerned about or take too much pride in "National Products." Nor should we try to manufacture everything ourselves. If we want to sell, we must also be prepared to buy. International trade is not a one-way thing. In a regional grouping, the only way to extract economic benefit is to give and take, or sell and buy or in one word, cooperate.

Ladies and Gentlemen,

18. The survival and prosperity of ASEAN depend on the willingness of member countries to cooperate beyond current individual economic considerations. The need for greater regional cooperation must be considered at par with those related to national development so long as they do not have adverse implications. But ASEAN must give priority to regional considerations. Intra-ASEAN trade, for instance, must be radically improved and the current PTA, which now has a staggering 18,000 items, should include items that give substance and meaning to the concept of preferential trading.

19. There is, I presume, a consensus on the need to enhance intra-ASEAN trade. The logical follow-up is to enlarge the opportunities for trade. ASEAN as a group has a common stand in efforts to enlarge its market share in the developed countries of our Dialogue partners. Similarly, ASEAN could create the

opportunity for greater intra-ASEAN trade by opening its market for products from member countries. Perhaps it is time for ASEAN member countries to state what each is willing to do to create the opportunity. While understandably, national interest will have to be safeguarded, it should be tempered with the realisation that regional gains also contribute towards national growth.

Ladies and Gentlemen,

20. ASEAN countries must take the initiative to establish a closer, more constructive and complementary relationship. They must not wait too long to assess and decide on necessary adjustments in facing the international economic situation. Substantive steps must be taken in regional cooperation and improvements must be made to the existing framework of intra-ASEAN cooperation. While ASEAN hopes for the best possible future, it must prepare for the continuing deterioration of international economic conditions and the obstacles and challenges ahead. Ladies and Gentlemen,

21. Once again I wish you a fruitful deliberation and with these words I now have much pleasure in declaring open this First ASEAN Economic Congress.

Thank you.