

THE MEETING OF ASEAN ECONOMIC MINISTERS

SHANGRI-LA HOTEL, KUALA LUMPUR (K.L), 7 OCTOBER 1991

Let me first of all bid you a warm welcome to Kuala Lumpur and to this 23rd meeting of the ASEAN Economic Ministers. I hope that your two days of discussions and your subsequent meeting with the United States Trade Representative will be successful in bringing about greater ASEAN economic cooperation and integration. As you know, next year the Fourth ASEAN Summit will be held and ASEAN leaders will again be reviewing the progress achieved and so plan new directions for the future. Unfortunately the record of achievements, particularly in the field of economic cooperation, has been dismal. This AEM meeting must, therefore, come out with bold and concrete recommendations to the ASEAN leaders that will push ASEAN economic cooperation forward and fast. This is crucial if ASEAN is to survive as a viable organisation in view of the dramatic changes that are occurring worldwide.

2. The political and economic scenario of the world under which ASEAN existed in the 70's and 80's has been radically transformed. The socialist-command economies of Eastern Europe have collapsed and are being replaced by a free market system. The Soviet Union is undergoing a political and economic upheaval of unprecedented proportions which will move it away from the rigid centrally planned economies of the past to a more market oriented system. China has been opening up her economy to world trade and investments for the past decade and has fairly successfully juxtaposed a free market system with a centrally planned economy. There is no doubt that China today is economically healthier than the China of the Cultural Revolution and Maoism.

3. Elsewhere the trend is the same. Countries are steadily discarding ideologies and structures based on state monopolies and protection which had failed to generate economic growth and improve their people's standard of living, in favour of more liberal open-market policies and the active participation of the private sector. This is evident in Latin America, parts of Africa and Asia.

4. The ASEAN countries have always been free marketeers. The rapid economic growth of ASEAN members since their independence is testimony to the effectiveness of a free economic and trading environment. However it is important to remember that the mere espousal of free trade and democracy will not generate economic growth or equitable wealth distribution. We are seeing now the early failures of the free market and democracy in the former communist countries. Indeed their situation now is worse than when their economies were centrally planned. To succeed, the people must understand the limits of democratic freedom and the skills of entrepreneurship and management necessary for the free market system to deliver results. Additionally, free trade will not succeed if the trading partners practice protectionism.

5. It is ironical that while we have adopted the liberal economic policies based on free and open markets recommended by the West, they are now forming trade blocs which would effectively restrict entry of our products into their markets. The failure of the GATT talks and the Uruguay Rounds is due to the erstwhile free

traders abandoning free trade and opting for managed trade. Trade blocs are being formed, by whatever name they may be called. Tariff and non-tariff barriers are being openly erected. Left unchecked there is a very real danger that international trade will not only be restricted, but will be restricted by those countries most capable of restricting trade.

6. It is therefore in the interest of the world economy that the Uruguay Rounds is brought to a successful conclusion. ASEAN and other countries which believe in free trade must use whatever influence they have on the developed countries, in order that they will continue their commitment towards the success of the Rounds.

7. The reality of the situation is that the ASEAN countries are dependent on exports to the developed countries for their growth. If the developed countries close their markets, then ASEAN economic growth will be retarded. It is imperative that ASEAN countries cooperate closely in order to ensure that free trade continues. But ASEAN by itself is not strong enough to protect free trade. Its combined market is only one-tenth of the market of the NAFTA countries or the single European market.

8. If ASEAN is to have a bigger say in trade negotiation internationally, then it must work together with the East Asian countries. The East Asia Economic Group or EAEG will be sufficiently strong to gain the respect of both the EC and the NAFTA. Even presently the countries of South East and East Asia together form a formidable market. But the potential for growth of the EAEG is far greater than that of the EC and NAFTA. This fact will also increase the clout of the EAEG.

9. It is important that the EAEG should not be a trade bloc. All the countries of the group should be free to trade with anyone under GATT rules. But when it comes to negotiation to maintain a free trading system for the world then the group should meet to discuss issues and take a common stand. It would be very difficult for the trading blocs of Europe and America to ignore the common stand of the EAEG. Since the EAEG stands for free trade, its strong influence in the GATT rounds is likely to yield positive results.

10. The ASEAN experience is that although our association is not basically economic, the members of the group are able to learn from each other the best way towards developing our countries. It is not an accident that of all the developing countries of the world, the ASEAN countries are the most consistently successful in development.

11. There will be members of the EAEG which will be economically weak. If the experience of ASEAN is anything to go by, these weak countries will learn from the mistakes and methods of the successful countries of the groups and will soon develop and prosper. And when they prosper they will become better markets for ASEAN goods and so contribute towards ASEAN prosperity. Thus the EAEG will evolve into a very strong grouping able to influence trade negotiations in favour of free trade for the whole world.

12. Unless we have this group, ASEAN and everyone will be at the mercy of the trade blocs of Europe and America. There will be so many conditionalities and linkages with non-trade issues that the growth of ASEAN countries will be retarded. We will all remain developing countries forever.

13. I have been extolling the virtues of the East Asia Economic Group as an instrument to keep world trade free. We expect this meeting of ASEAN Economic Ministers to endorse fully the positive recommendations of the officials tasked with examining the concept. However we will understand if consensual endorsement is not possible. Malaysia values its association and friendship with its South East Asian neighbours above everything else. It does not wish to be a cause of embarrassment to anyone.

14. While we strive for the formation of the EAEG we should continue to work on the liberalisation of the ASEAN market. Malaysia welcomes the proposal of the Prime Minister of Thailand for an ASEAN Free Trade Agreement. The potential for intra ASEAN trade is big but we have to open up our markets if we are to realise this potential.

15. The economic liberalisation policies undertaken by ASEAN countries mean that the private sector must assume a greater role in promoting trade and economic cooperation. It is disappointing to note that the number of ASEAN joint ventures is still small despite the existence of the AIJV and the Brand-to-brand Complementation and the preference given to their products under the PTA. The ASEAN private sector must prepare itself to meet the challenges by fostering greater linkages and networking among themselves.

16. ASEAN industries must increase their efficiency and competitiveness in order to survive and prosper. They could not depend any longer on a closed and protected home market while ASEAN countries are striving to forge a bigger ASEAN market by reducing tariff and non-tariff barriers. They must be ready to face the challenges and the opportunities that will arise out of a greater ASEAN economic cooperation.

17. The world is already moving towards a globalised pattern of production in which locations and nationalities have given way to efficiency and competitive advantage. ASEAN, and particularly its private sector, cannot afford to remain parochial. It must exhibit drive and dynamism and be the prime mover for ASEAN' s progress.

18. In business, economies of scale is most important. And economies of scale depend on markets. While the markets in each ASEAN country may be able to support some industries, there are other industries which can only be viable and competitive if the market is ASEAN-wide. For these industries the ASEAN countries must be prepared to share their markets. Duplication of such industries in every ASEAN country will only reduce viability and competitiveness. In the small and medium industries which play a supporting role to the major major industries.

19. It would be far better at the initial stage, at least, to allocate certain industries to each one of the ASEAN nations -whether major industries or the SMIs. When the market in each country grows sufficiently that each country can have the particular industry and still be viable, then the country concerned should have that industry for itself.

20. All that I am saying is not new of course. It was the basic idea behind the AIJVs. But logic and reason and even economic sense do not always prevail. And so today the ASEAN countries are still very far from becoming an economic group. We are more successful in cooperating politically. However we should persist. One day ASEAN may yet be an economic group.

21. Environmental issues have lately come to the fore to join other economic and trade issues which already burden ASEAN economies. I have spoken at length on these issues in other fora and have pointed out the dangers of using them as leverage in trade negotiations. This problem can only be solved by cooperation between developed and developing countries and not through confrontational campaigns by some groups.

22. We in ASEAN can no longer remain passive and indifferent to these campaigns hoping that they will, in time, fizzle away. They have assumed serious proportions and are being used to obstruct the economic growth of the developing countries. The particular NGOs have enormous resources and have the support of the so called ' free western media' . ASEAN must coordinate its efforts to counter these campaigns before they become more damaging to our economy. We can do this through a massive information campaign at the international level, and by adopting a common stand on environmental issues. This will, no doubt, involve financial back-ups, but the price for not doing it now will be much higher later.

23. It must be pointed out that we in ASEAN are not unconcerned about environmental pollution. We are very concerned but our capacities to deal with them are limited. The developed countries should have a more positive approach rather than threaten to use trade and aid as instruments to force us into doing those things which will retard the growth of our economy and the well-being of our people.

24. A case in point is the current forest fires which have cast a thick haze over our countries. Forest fires are more damaging than the controlled extraction of timber. Forest fires destroy everything, every species of trees and plants, animals and insects and whatever else that thrive in the tropical forests. Forest fires lay bare tens of thousands of acres of land which will be leached and washed into the rivers when the rains come. The people who either live in the forests or depend on it for their daily bowl of rice are rendered destitute; some losing their homes and even their lives. And when forests burn, tons of carbon dioxide and probably other noxious gases are released into the atmosphere. In other words, the pollution of the environment by fires in the tropical forests is far, far greater than that caused by the extraction of timber.

25. But whereas the whole western world is in an uproar over our extraction of tropical timber and threatens to boycott our produce and destroy our economies, there is not a squeak about the forest fires which periodically plague us. Perhaps it is because the haze does not spread to their countries. Perhaps it is because they cannot sound noble as they do when they champion the Penans.

26. Yet there is much that is positive that the rich countries of the North can do about our forest fires. They can mount emergency operations to put out the fires. They can fly in their massive fleets of water-bombers to dump water on the fires. They can provide heavy equipment and pay for the cutting and removal of trees to create fire-breaks. They can do massive cloud-seeding to create rain. Indeed with their ingenuity and wealth, they can put out our fires as they extinguish the oil-well fires in Kuwait with such handsome profits. But as we all know none of these things is happening. There is not a word from the environmentalists of the North or their proxies here.

27. On this and other issues and attempts to link nontrade matters to trade, ASEAN must speak with one voice and put forth our case with vigour. Individually we will be victims of the global campaigns now being mounted to make us permanent developing countries. United we stand a reasonable chance. Allied with other neighbours our chances becomes even better.

28. Consonant with efforts to forge greater trade and economic cooperation, ASEAN should also look into areas of strengthening cooperation among its research institutions both in the scientific and social fields. I realise that this has already been done to some extent in certain areas but more can be done. ASEAN countries spent large sums of money each year on foreign consultants to conduct all sorts of studies while the same expertise are available within ASEAN at a fraction of the cost.

29. Research in commodities has been one of ASEAN' s strengths given its importance to ASEAN' s economies. While it is accepted that this is something that countries would be reluctant to share because of its economic implications, we cannot totally discount the possibilities of cooperation. A good example is the case of palm oil and coconut oil. Both these products are victims of a vicious campaign to discredit them by certain groups overseas. Through more sharing of information and coordination of efforts among the institutions and agencies in the countries concerned, campaigns such as these could perhaps be countered more effectively and at lower cost.

30. As ASEAN forges ahead with various programmes at economic and trade cooperation, we must not neglect the important role of the ASEAN Secretariat in these endeavours and indeed in the functioning of ASEAN as an organisation. It has been said that an organisation can only be as good and effective as the secretariat that supports it. There has to be a revamp of the Secretariat and also of the various ASEAN Committees to ensure that decisions are made expeditiously and implemented. As the thrust of ASEAN' s activities will be in the economic field, this aspect will need to be emphasised and strengthened in any

future reorganisation of the ASEAN structure.

31. It is now almost four years since the last ASEAN Summit was held in which various proposals were made to promote further ASEAN economic cooperation. Unfortunately the pace of progress is still painfully slow. For various reasons ASEAN is still unable to overcome the hurdles that lay in the path of cooperation. We seem to lack the political courage needed to move ahead and implement cooperative projects that will benefit us in the long term. If ASEAN is to enter the 21st century as an economic and political force that will be respected by others, then we would have to take the painful decision now before events overtake us.

32. On that note I have much pleasure in officially declaring open this 23rd meeting of the ASEAN Economic Ministers and wish it every success.