

THE FOREIGN CORRESPONDENTS

HONG KONG (HK), 14 OCTOBER 1992

Mr Stephen Vines President of the Foreign Correspondents' Club; Distinguished guests; Ladies and gentlemen.

I am pleased to accept your kind invitation to address the members of your club today. As you represent one of the most important communities of journalists in Asia I feel honoured to have been asked to share my thoughts with you on regional development over the next decade.

2. Ever since the EEC was formed, regional development for economic growth has spread all over the world. In South East Asia, the Caribbean, the South Pacific, South Asia and Latin America, regional groupings have emerged, all of which are intended for facilitating economic progress.

3. Regional groupings can evolve into trade blocs but this is not always the case. Many are of a consultative amorphous nature, rather than a preferential or free trade arrangement or a customs union. But if they survive, the chances are they will seek some exclusivity for their members, especially when they are faced with other trade blocs.

4. Essentially a regional grouping is an enlarged nation, a kind of loose federation with some mechanism for unified action on a variety of diplomatic or economic issues. The United States with its many states, each quite autonomous, can be considered as a regional grouping. In a way the United States can be considered as a European Community transplanted onto the Western Hemisphere. Indeed it was partly the desire to match the economic strength of the United States in the post World War II period that the European countries decided on the formation of the European Economic Community (EEC). Today, of course, the Europeans are more ambitious and wish to create a United States of Europe, with a single border and a single currency.

5. Elsewhere regional groupings have not been so ambitious. Indeed many were stillborn. Of those which survive few have succeeded in acting in concert in international affairs. But still the idea of a regional grouping in order to enhance national strength seems attractive to a lot of nations. In Latin America several new regional groupings have emerged.

6. Among the more successful regional groupings is ASEAN. Its beginning were not very auspicious. Economic development was not on the minds of the founding fathers of ASEAN. Rather it was their search for a mechanism to resolve political and sometimes military confrontations between them which provided the basis for the establishment of ASEAN.

7. ASEAN has had its ups and downs. There were times when even the ASEAN leaders became quite cynical about it. But ASEAN not only survived but is today one of the most dynamic regional groupings in the world. It cannot be an accident that the members of ASEAN are today economically healthy. The

regional grouping must have something to do with it.

8. It is my considered opinion that ASEAN, as a regional organisation, has played a significant role in the growth of the member countries. In the first place no one can doubt that ASEAN succeeded in reducing the kind of conflicts frequently faced by neighbours. Indeed there are till today major causes for conflict between ASEAN countries but the conflicts have not been allowed to flare up and get out of control. Instead conflicts are resolved through negotiations. Even when they are not resolved, there are no open confrontations. The ASEAN regional organisation and the ASEAN region is therefore peaceful and stable.

9. Peace and stability are essential for economic development in a nation. They are essential also for the economic development and interaction within a region. ASEAN has succeeded in creating these essentials for growth in the region.

10. But more than this, it is evident that the ASEAN nations seem prepared to learn from each other. If a member becomes successful through a particular policy or approach, it is likely that the others will follow. And of course if a member is hurt by a certain policy the others will not try it.

11. Thus very early on the ASEAN nations decided to concentrate on the development of their states rather than waste time on confrontational politics, regional or international. In the economic field, all eschewed the socialist approach in favour of free enterprise. Instead of the restrictive practices common among newly independent countries, the ASEAN nations each decided to facilitate investments, including foreign investments. Now privatisation is universally popular with them.

12. As a result the ASEAN countries developed almost uniformly and at high rates of growth. Only when internal politics interfere will an ASEAN country slow down. But wherever possible ASEAN nations try to create a stable domestic political climate, using very much the same approach of the more stable nations.

Ladies and gentlemen,

13. As with industries which benefit from backward and forward integration, regional development can also benefit from such a strategy. Again ASEAN provides a good example. The concept of growth triangles has been devised to enable adjacent parts of ASEAN neighbours to enter into more intensive economic collaboration. The first such growth triangle involves Singapore, the southern Malaysian state of Johore and the Indonesian island of Batam. Cross investments and joint development of facilities as well as sharing of existing facilities reduce development cost without affecting each other's growth.

14. A second growth triangle has been mooted for the north of Malaysia where the northern provinces of the Indonesian island of Sumatra, the four northern states of Malaysia and a number of provinces in south Thailand will be involved.

15. These growth triangles within a regional group will complement the forward integration of ASEAN, in which the other four countries of South East Asia will be

accepted as members. They may not come in together but eventually all are likely to join. With this the development strategies which have made the ASEAN six a success, will be applied by the new members. The chances are very good that the ASEAN ten will develop into a dynamic regional group.

16. But regional development need not end there. In 1970 South Korea had already proposed an "Asian Common Market". And in 1988 Japan's MITI proposed an "Asian Network". So Malaysia's proposal for an East Asia Economic Group (EAEG) was neither original nor unusual. It is essentially an extension of ASEAN on a less formal plane. It is also a reaction to the failure of GATT and the protectionist tendencies of the single European market and the proposed North America Free Trade Area (NAFTA).

17. EAEG or EAEC should be neither a formal grouping like ASEAN, nor should it be a trade bloc like NAFTA or the European Community (EC). As it is dedicated to world free trade it cannot be protectionist and give its members preferential treatment in intra-regional trade. Its chief purpose is to provide a strong voice for the East Asian countries in trade negotiations with the rest of the world, particularly the EC and NAFTA. It has been obvious for a long time that no one respects the voices of developing countries like Malaysia, or even of groups like ASEAN. But a regional forum with China, Japan together with the ASEAN six as members will have a much greater clout if they speak with one voice on common problems affecting them. For this a very formal organisation with secretariats and councils and civil servants is unnecessary. It is enough if they can agree on the mechanism for holding meetings at different levels whenever the need arises.

18. In fact the East Asian countries are already cooperating closely. Certainly they are prone to the adoption of common approaches to development. Malaysia is admittedly more open when adopting development strategies. It announced a Look East Policy nine years ago. Since then it has examined closely the economies of Japan, South Korea, Taiwan and Hong Kong and where applicable has adopted them in full or in modified form.

19. Other developing East Asian countries are doing the same without need to talk about it.

20. What is important is that they have benefited from their informal bilateral cooperation. If the East Asian countries form the EAEC group the process of learning from each other would be facilitated. As ASEAN has demonstrated such an approach reduces risks and wastage and ensures more rapid development. The EAEC will therefore speed up the development of the East Asian region.

21. Why is the EAEC not embraced by some East Asian countries? Admittedly there are some fears of domination by Japan particularly on the part of its immediate neighbours. But these can be overcome. What is preventing the EAEC from taking shape is the vehement objection of the United States of America.

22. Now the U.S. is involved in the formation of its own trade bloc -- the NAFTA. This is clearly a protectionist group unlike the EAEC. NAFTA by definition will favour its members against those who are not. EAEC will leave its members quite free to trade with anyone. Yet the U.S. is against it. It is really a case of double standards, a case of telling East Asia to do what the U.S. tells them and not what the U.S. does.

23. The U.S. insists that any regional grouping of the Pacific Rim countries must have the U.S. as one of its members. Thus APEC, the Asia Pacific Economic Council, is promoted because the U.S. is a member. But the U.S. is not a member of the South Pacific Forum or of ASEAN. Indeed the U.S. is not a member of several regional organisations involving Latin American countries on the Pacific Rim.

24. If being on the shores of a vast ocean qualifies one to be a member of a regional organisation, then the U.S. should also be a member of the European Community which is made up of countries of the Atlantic Rim. But the U.S. made no such claim. So why does the U.S. insist on being a member in the EAEC?

25. I once suggested that there is a racist element in their attitude. But I raised the ire of the U.S. Government. Why is it that everyone else is allowed to form regional groupings while the East Asian countries are not allowed?

Ladies and gentlemen,

26. I have always believed that rich countries are less likely to cause problems than poor countries, especially when they are your neighbours. It is for this reason that Malaysia is actively assisting poorer developing countries to overcome their difficulties. To us it is an investment in peace. Besides, rich countries are better markets than poor ones. As Malaysia has always been a trading nation, it simply loves rich trading partners.

27. Now if the EAEC is allowed to be formed, it will result not only in maintaining free trade but the economic development of the lesser economies of East Asia as well. It will result in a crescent of prosperity stretching from North East Asia to South East Asia. It will create a market of 1.8 billion people for the rest of the world. Certainly it would be a rich market for the U.S. The market may not be as developed as NAFTA. But the buying power of 1.8 billion people, even if the per capita is only one-fourth that of Europe or the NAFTA nations, will be considerable.

28. May-be the U.S. fears the dominance of Japan with the economic might of the East Asian countries behind it. May-be containment of potential foes is still the basic creed of the U.S. If this is so then it is very unfortunate.

29. China and Korea and even the ASEAN countries are not going to allow Japan to play the lead role. There will be no dominant power in the EAEC. In any case it will not be a formal grouping. Japan will be as strong as Japan is and Japan will be with or without the EAEC. But balancing Japan's clout will be China

and Korea, two countries which are more concerned than the U.S. is about Japan. By allowing the EAEC to hasten the development of China and Korea, the threat of Japan will be reduced.

30. The opposition to the EAEC by the U.S. is likely to create bitterness even among the friends of the U.S. in East Asia. Dark talks of imperialism, neo-colonialism and hegemony are being heard at seminars and workshops all over East Asia. And it is all so unnecessary. The EAEC, in one form or another, is inevitable. One has only to look at the intra-regional trade figures of East Asia to realise this. East Asia as an economic region is already a fact.

Ladies and gentlemen,

31. I have been asked about my vision of the next century. I hesitate to predict because one can be so wrong. But still one has to have an idea of the future if one is to do anything in the present.

32. Journalists I think are much braver when it comes to predicting. They are always making dire predictions about everything.

33. I remember one report in one of the most popular international weeklies where a journalist on seeing the unremarkable Honda mini at an exhibition commented: "Now Honda knows making cars is not like making motor cycles". Obviously he felt that Honda was not going anywhere.

34. Another commented in the same magazine that Rotterdam Port was wasting money on container handling facilities because containerisation was not going to catch on.

35. Malaysia has had more than its share of dire predictions. From time to time we are told that there was about to be racial riots, the economy would collapse, the Government would fall, etc. The latest is that although all the East Asian countries will grow economically, Malaysia cannot make the transition to high-tech because 20 percent of its students fail maths. The magazine is probably right. When Malaysians add 2 and 2 together they get 8.8 percent growth. Its okay to fail maths.

36. But what does the 21st century hold for regional development? I do believe that regional trading blocs are here to stay, at least for several decades. After all the Russians took 70 years to find out that Communism and its command economy did not work. It will take decades before the world realises the disservice that trade blocs will render.

37. And so regional groups will continue. Europe and NAFTA will probably consolidate and become more inward looking. The countries of East-Asia will form a geo-cultural economic entity, prosperous and resilient.

38. There will be fears of conflict but I think China and Japan are not going to opt for a military confrontation. It will be too damaging. They may seek to take the lead in East Asia though. I don't think either will succeed.

39. Vietnam, Cambodia and Laos will develop and join the ASEAN group. Myanmar too may join, probably later.

40. East Asia will be one of the three main regional groups and will exert its influence on world trade, whatever may-be the objection of the U.S.

41. When making predictions it is good to buck the trend. One should say: "Although it looks good, but actually it is bad". You get more attention that way. But I am not going to do so. With the East Asia grouping, the prediction is predictable.