

THE INSTITUTE OF MITSUI AND COMPANY FOR TRADE AND ECONOMIC STUDIES INCORPORATION
TOKYO, 19 OCTOBER 1992

Mr. Kumagai, Chairman of the Institute of Mitsui & Company for Trade and Economic Studies Incorporation; Distinguished Guests;

Ladies and gentlemen,

I would like to express my appreciation to Mr. Kumagai, Chairman of the Institute of Mitsui and Company for Trade and Economic Studies Incorporation who has given me this opportunity to speak here today.

2. I have been looking forward to meeting with a gathering of Japanese business luminaries, such as this. I wish to thank everyone concerned for making this possible.

3. I understand that this institution is the first research organisation established by a general trading company. It is fitting that Mitsui and Company with over one hundred years of worldwide business knowledge and experience to pioneer in this field of research.

Ladies and gentlemen,

4. Malaysia's relations with Japan has been long and enduring, nurtured by a sincere desire for cooperation between neighbours. Over the years, our relationship has deepened through our interdependency in trade and through industrial linkages. It is hoped that this relationship will broaden and deepen so as to achieve greater mutual benefit.

5. While Japan is already a developed country, Malaysia is determined to become one by the year 2020. Towards this ambitious goal we will promote industrial linkages between foreign and local companies and we will continue to promote investments, particularly those which can upgrade our technological capability. We will produce from our educational and training system the right mix of professionals, subprofessionals, craftsmen and artisans to meet our industrial development needs. We are grateful that an increasing number of Malaysians have been accepted by Japan to undergo special training. Since the early 80's, the Japanese Government and the private sector have been quite responsive to Malaysia's training needs, particularly those of our youths. Japanese companies often go out of their way to make our students and trainees feel at home. Of particular interest to us is the Japanese work ethics and our trainees have been able to absorb them. We are very appreciative of the Japanese response.

6. The success of our industrialisation programme has created a minor problem. Workers are no longer plentiful. To a minor extent we have been able to overcome this by bringing in some foreign labour for selected industries. This is however not a good solution. The better solution is to have more capital intensive and technologically sophisticated industries. In other words we should take the path Japan has taken domestically. Investment in foreign countries cannot be

our solution to labour shortage. The development of intermediate and capital goods industries will also be promoted. Where the parties are willing we would like to see more joint-ventures where technology transfer can take place more readily. The listing of foreign companies in our stock exchange is welcome. This will enable the foreign companies to raise capital in the local market while fulfilling the objectives of joint-ownership. Control over the companies will not be lost by the foreign investors. Yet they will benefit from whatever favoured treatment which local companies are entitled to.

7. It would also be beneficial if the Chambers of Commerce of the two countries establish good working relations. We know how very useful MAJECA and JAMECA have proven to be. Regional chambers in Japan can augment this.

Ladies and gentlemen,

8. In terms of trade, Malaysia is happy that trade between our two countries is very substantial, constituting about 21 per cent of Malaysia' s global trade. In 1991, our total trade with Japan was US\$15.9 billion. Despite this figure, Malaysia is concerned with the accelerating trade deficit currently facing us. This is because exports of raw materials no longer constitute the major portion of Malaysia' s trade. Sixty-four percent of our exports are now made up of manufactured goods largely produced by foreign-owned companies, a large proportion of which is Japanese. The foreign exchange earnings from this do not really accrue to Malaysia, as raw material exports do. Nevertheless Malaysia benefits a little from the export of these manufactured goods, produced usually by tax-exempt companies. It is important therefore to enlarge manufactured exports and buy back arrangements by Japanese companies can contribute much.

9. At the regional level we are happy to note that the Indochina states Vietnam, Laos and Cambodia are embarking on reconstruction and economic development. Valuable resources can now be channelled to develop their economies and provide a better life for the peoples who have long been deprived of basic amenities. Malaysia, has particularly good relations with these countries and this provide many opportunities for three way joint-ventures involving Japan, Malaysia and the host country. Already several Japanese companies are involved in ventures involving Malaysia and Vietnam. Malaysia' s keenness to rehabilitate the economies of the Indochina countries stems from its belief that prosperous neighbours not only become good trading partners but are less likely to be belligerent.

10. Malaysia is also pleased that Japan is now participating in the U.N. peace-keeping mission in Cambodia. We appreciate Japan' s rejection of war as a solution to international problems. But serving with the U.N. in order to restore peace is not the same as resorting to war. Whether we like it or not force is sometimes needed in order to stop violence. The situation in Bosnia-Herzegovina is a case in point. Resolutions not backed by forceful enforcement get us nowhere.

11. The Cambodians cannot resolve their problem by a continuous civil war. It will destroy them completely. With outside help, peace and democracy may be achieved. After that the work of reconstruction will also need foreign help. Again Malaysia is particularly interested because it wants peaceful prosperous neighbours and trading partners. I am sure Japan also desires the same.

12. We, in Malaysia in particular, and ASEAN in general welcome Japan's call for a consolidation of relationship based on mutual confidence, trust and heart-to-heart understanding, espoused by Prime Minister Takeo Fukuda in Manila in 1977. The "Fukuda Doctrine", as it has come to be called, also reject the role of Japan as a military power. The "Fukuda Doctrine" pledged positive cooperation with ASEAN countries, together with other like minded countries outside the region.

13. We have since given due recognition to the important role that Japan plays, and I wish to add, that this role has been well appreciated. Japan has made full use of its economic strength to bring tremendous economic development through massive ODA, investments and transfer of technology. The keen competition between Japan and the West has also proven beneficial in that prices of most products and services have been prevented from rising unreasonably.

14. We have high regard for Japan's membership of the G-7. As Asia's only member, Japan has given voice to Asia's concerns at the G-7 summits. We appreciate the consultation between the Japanese and Asian Governments prior to summit meetings and the reporting back afterwards.

15. We continue to be hopeful that the Uruguay Round of Multilateral Trade Negotiations will come to a successful conclusion. But the scenario is not promising. The conflict of interest between Europe and America will continue to stymie the negotiations. Only a powerful voice from outside of these two blocs will enable progress to be made.

16. It is for this reason that Malaysia proposed the East Asia Economic Group (EAEG), later renamed East Asia Economic Caucus (EAEC). We are not proposing a trading bloc, although we would be fully justified in setting up one, considering that both Europe and America have each set up very powerful trading blocs. What we are after is a single voice from East Asia in the defense of worldwide free trade. The East Asian nations together constitute a large market. More than that it is a rapidly growing market. The united voice of this large segment of the world's economy cannot be ignored. If we say that the Uruguay Round must be concluded, then the Europe/America bickering will have to stop. The EAEC can cause this to happen.

17. The EAEC will serve another purpose. We have noticed that cooperation and competition between the ASEAN countries have helped not only their economic development but also their policies and outlook. They have become development-oriented and adopt similar policies and approaches. It is very likely that the creation of the EAEC will have the same results in the less developed

countries of East Asia.

18. The fact is that whether we form the EAEC or not, Europe and America have opted for protectionist trade blocs. To protect their high standards of living and high costs of production they will want to exclude the competition posed by the countries of East Asia. They will pick on any issue to justify their discriminatory policies. Already they have seized upon issues such as democracy, human rights, labour policies, environment, subsidies (real or imagined) and intellectual property rights to discriminate against goods and services from outside. With the formation of NAFTA and the single European market these discriminatory exclusions are going to increase. If we don't do something now things are going to get worse later.

19. Recently Canada, Mexico and the U.S. signed into being NAFTA. Apparently there is provision for countries like Australia, New Zealand and Taiwan to join NAFTA. Imagine a NAFTA consisting of all the countries of North, Central and South America together with a substantial number of countries on the Western Pacific shores led by the U.S. It will be very powerful indeed. It can certainly put Europe in a corner. And if Japan is excluded, the progress of Japan will be affected. If Japan is included then there will be a most unhealthy confrontation with Europe.

20. APEC which started as an informal group is now becoming more and more like a regional grouping led by the U.S. Obviously anything that is not in the interest of the U.S. is not going to be adopted by APEC. Since U.S. interests must now coincide with those of NAFTA, it would seem that an enlarged NAFTA is already in place. Whether this will be good or bad for the world's economy I do not know. But certainly the situation bears watching. It is for this reason that Malaysia does not support meetings of APEC's heads of Government.

Ladies and gentlemen,

21. As an economic superpower, Japan today faces rising expectations from the world community, and in particular countries in East Asia. Malaysia for one hopes that Japan will play a more crucial role in ensuring peace and security in addition to addressing the economic issues facing the world today. Japan must contribute significantly towards the creation of a stable political and fair economic order for the post Cold War era. The epochal changes that the world has experienced in the wake of the disappearance of the Soviet Union and the emergence of trading blocs demands that we re-examine our policies.

22. We welcome Japan's desire for a more active international role. In fact, in the shaping of a new international order, Asian countries will continue to look towards Japan, as a fellow Asian country, to exert its influence in addressing issues which are of great concern to Asians, be they political or economic. It is very important therefore that Japan continue to forge more positive economic relations with her Asian neighbours.

23. We in East Asia firmly expect Japan to play a leading role for the stability and

development of the East Asian region. For this to happen, the mutual trust between Japan and East Asian countries should be enhanced. This will require regular dialogues among us, so that when Japan engages in policy coordination with other developed countries, Japan will be in a position to effectively present the concerns and aspirations of East Asian countries, of which many are developing countries.

24. We are witnessing in our region the evolution of a more favourable political climate, conducive to economic growth and prosperity. The rapprochement between the two Koreas and between the Koreas with China and Russia respectively are cause for optimism. For Japan, we are hopeful that their outstanding issues with Russia and North Korea would be resolved.

25. East Asia is experiencing a level of accelerated economic growth unseen anywhere in the world and if this expansion continues at the current pace, our combined GNP will in time exceed those of North America and the EC. We are not merely a competitive and reliable production base but also a major market for imports. For the period 1985 to 1990, East Asia's share of Japan's total trade volume has expanded from 27 per cent to 29.8 per cent to enable East Asia today to become Japan's largest trade partner. Given these interlinkages, Japan and East Asia have a common interest in maintaining and further developing its free trade framework, to support the Uruguay Round and to resist the formation of trading blocs that are exclusionary and protectionistic. We have a common interest in ensuring that the business and investment climate in this region will remain favourable in order to strengthen our economic interlinkages. Ladies and gentlemen,

26. Mitsui and Company with its world wide network is admirably placed to implement and even influence economic progress for a better world. Your Institute can become a centre for a more participatory role in the formulation of policies and programmes towards this end.

27. I hope with this talk I have been able to present Malaysian perception of the regional and world problems. Thank you for giving me your attention.