

THE WORLD ECONOMIC FORUM EUROPE/EAST ASIA SUMMIT RE-ENGINEERING THE ECONOMIC AND POLITICAL LINKS BETWEEN EUROPE AND EAST ASIA

SHANGRI-LA HOTEL, SINGAPORE, 13 OCTOBER 1994

I am delighted to be given the honour to speak about the future at this World Economic Forum; the future economic and political links between Europe and East Asia.

2. The focus on the future is certainly very appropriate. It is the most important time for all of us. Although we may celebrate or berate the past; although we may enjoy or struggle through the present; the future is really where all of us will be spending the rest of our lives.

3. Even today, there are some who say that Europe will inherit the future. Lester Thurow used to argue this very strongly. He may well be right. But he is more circumspect these days.

4. There is a growing number who glibly talk about the Age of the Pacific. And there are those who talk about the 21st century being the Century of Asia, as if in some way various parts of the world will oblige the popular historian by agreeing to rise or fall, on each occasion, in neat chunks of a hundred years.

5. Thus it is said that the Nineteenth Century was the Century of Europe, the Twentieth Century is the Century of America and the Twenty-first century will be the Century of Asia.

6. The more objective truth with regard to the past surely is that for many more than one century Europe dominated the world -- in a way that was never done before. And in a way that can never be done again. For a relatively short time, the United States was the most important superpower. But its cumulative impact on the world was not of the order of the European onslaught.

7. As to who will inherit the future, I hope that no single nation, no single people and no single region will inherit the future.

8. I hope that a very large number of nations from every corner of the global compass -- including Asia, Europe, Africa, the Americas and elsewhere -- will inherit the future. I hope that all people of talent and diligence, who earn the right -- including a very large number of Asians, Europeans, Africans, Americans and others -- will inherit the future. I hope that the future will belong to all those who have the will and who are willing to put in the effort.

9. My hope is that the Twenty-first century will above all be a century of cooperative global prosperity, democratic global governance without hegemony from any quarter, with greater global equality, fraternity and caring and much more mutual respect. The need to establish a much more prosperous, democratic, egalitarian, fraternal, caring world order built on mutual respect is the backdrop against which my more specific remarks on the Europe-East Asia relationship should be seen.

10. Quite obviously to reach the new world order that I have envisioned will require an economic revolution -- because there are too many millions living in poverty and too many living in abject poverty. There has to be a political revolution because there is too little democracy, too little egalitarianism and too much hegemony in the community of nations. And there has to be a psychological and cultural revolution because too many believe in beggar-thy-neighbour policies when all our interest lies in enrich-thy-neighbour policies, in enriching others so that we can take advantage of their wealth and prosperity. There also has to be less arrogance and more mutual respect all around.

11. Equally obviously, the Europe-East Asia nexus is also very much in need of revolutionary change; for the most dynamic and drastic evolution at the greatest speed possible.

12. First, Western Europe should sell more to East Asia and vice versa. We need to strengthen and enrich our trade relations.

13. In 1990, the European Community (EC) accounted for close to 30 percent of total global output. If everything is equal, the European Community should account for 30 percent of East Asia's total imports. In fact, the European Community's share of East Asia's imports added up to only 12 percent of the regional economy's total imports.

14. This is not bad given that in 1985 the European Community's share was only 9 percent. In 1980, the figure was only 7 percent. The movement is in the right direction, having increased from total exports of only US\$21 billion in 1980, to US\$28 billion in 1985, to US\$78 billion in 1990. Today, the European Union (EU) economies export more to East Asia than to the United States.

15. But it is just as well to remember that in 1990, which by East Asian standards is a long time ago, East Asia was already importing US\$658 billion from the outside world. Thirty percent of that is close to US\$200 billion. This is twice as large as the EU's total exports to the United States and seven

times more than the EU's exports to all of Latin America in 1993. Indeed, it is US\$25 billion more than the European Union's combined total exports last year to the United States, Latin America and Eastern Europe.

16. The potential for Western Europe is enormous. The IMF predicts that in the 1990s, US\$7.5 trillion will be added to the gross world product. Half of that will be produced by East Asia.

17. The recent European Commission policy paper, "Towards a New Asia Strategy" concurs with the view of the International Monetary Fund (IMF), which is almost identical with the analysis of the World Bank. The European Commission goes on to state that by the year 2000, which is only 62 months away, 400 million Asians "will have average disposable incomes as high, if not higher, than their European or US contemporaries." As you who are in business know, goods and services are sold to individual customers, not to states and regions. By the year 2000, there will be many more well off or rich East Asians than well off or rich Europeans and North Americans.

18. To cite further the European Commission, "half the growth in world trade up to the year 2000 will be generated in East Asia. This holds out enormous opportunities for the (European) Union and can create many jobs."

19. Many of today's realities already "boggle the mind". You might be interested to know, for example, that the United States exports more to my small country, Malaysia, than it exports to all of Eastern Europe and Russia. In purchasing power parity terms, the East Asian regional economy became bigger than both the Western European and the North American regional economies in 1992. In terms of foreign exchange US dollars, this should happen in the early months of the year 2000.

20. The potential beyond this 62-month horizon, must surely challenge even the most creative of imaginations.

21. You who are from Western Europe must sell us more. It is good for you. It is also good for us, for we must not forget that consumers buy for their own benefit and satisfaction, not for the benefit and satisfaction of those who produce.

22. But for Western Europe to trade much more with us in East Asia, there is need first of all for a fundamental awareness revolution.

23. I know that you who are here today are fully aware about East Asia. But you must often be quite frustrated by those at

headquarters and in Europe, all of whom think they are open minded and global participants, most of whom are in fact incredibly Eurocentric and often incredibly unaware that they are so.

24. I am reminded of Marshall McLuhan's remark: "I do not know who discovered water, but I know it wasn't the fish." Sometimes it is only from the outside that one can clearly perceive the obvious truth.

25. The obvious truth is that most of Europe has still to wake up to what has been called "the East Asian miracle". Europe still has to truly discover Asia. The last time around, it required a heroic effort and sometimes wondrous exploits of courage and persistence by men of adventure. Perhaps this time around, it will also require a heroic effort and more than the occasional wondrous exploit of courage and persistence from men and women of the business world.

26. On the other side of the equation, it is equally clear that East Asians too have to fully discover Western Europe.

27. In 1990, East Asia accounted for 23.7 percent of total world output. But in the same year, East Asia supplied only 8.8 percent of the total imports of the European Community.

28. This is not really bad given that East Asia is only two thirds the economic size of Western Europe. But the truth remains: in 1992, the European Union economies alone imported almost as much as East Asia - US\$636 billion. Twenty-three percent of that is US\$146 billion.

29. I have talked about trade, which is the lowest, though the most important form of economic cooperation between nations. Equally important is investment.

30. How has Europe done? Unfortunately, not well.

31. In the 1960s, the European Community grew on average by 4.5 percent a year. East Asia grew on average by 7.1 percent. In the 1970s, the EC economies grew on average by 3.3 percent a year. East Asia averaged 7.9 percent. In the 1980s, the EC averaged 1.7 percent. East Asia averaged 6.4 percent. So far in the 1990s, East Asia has been running at over 6 percent per annum, recession or no recession elsewhere. Overall these miracle years, when the East Asian economies were galloping, Europe's investment position -- in some countries European companies not too long ago held all the commanding heights -- has either been eroding rapidly or simply collapsing. The European Commission sadly notes that in the years between 1986

and 1992, only 10 percent of the foreign direct investment in East Asia came from the European Union.

32. There are many other economic issues that I should mention. Because of the time constraint, let me say a few words about human resource development and technology transfer and cooperation. The importance I attach to this should be clear from the countless visits I have made to Europe. Many say that European companies are much better at transferring technology than, say Japanese companies. Nevertheless the most tangible results of technology transfer to Malaysia are still those from the Japanese. True, we have to squeeze it from them, but in the end we got nearly all that we need. When we suggested that cars should be assembled in Malaysia, many great names just quitted the market. And we in East Asia have a great deal to learn. Speaking for Malaysia, and I believe, for ASEAN too, let me say that we are eager to learn. And we fully appreciate all the gestures that have been made to help us with our programmes for human resource development and technology acquisition and development.

33. There are also a great many things that I should say about the political side of the Europe-East Asia nexus. Because of time constraints again, let me concentrate on only one dimension, a dimension that has been well articulated by the European Commission.

34. The Commission urges the EU to continue to strengthen the Union's bilateral relations with individual countries and sub-regions in Asia. It urges support for the efforts of Asian countries to cooperate at the regional and sub-regional level. It specifically mentions the ASEAN Regional Forum and calls for efforts to strengthen the EU's relations with ASEAN and the South Asia Regional Cooperation (SAARC).

35. What I found particularly striking are these words, uttered at the very beginning of the Commission's policy paper: "Asia's growing economic weight is inevitably generating increasing pressures for a greater role in world affairs. At the same time, the ending of the Cold War has created a regional environment of unparalleled political fluidity. Consequently, the European Union should seek to develop its political dialogue with Asia and should look for ways to associate Asia more and more with the management of international affairs, working towards a partnership of equals, capable of playing a constructive and stabilising role in the world."

36. The age of hegemony has not yet quite passed. It should die away. We should bury it. Europe, East Asia, Africa, the

Americas, all parts of the world, should indeed seek to work for a partnership of equals.

37. The European Union now already has a regular dialogue process with ASEAN. If Western Europe believes there should be a regular dialogue between Western Europe and East Asia, this is an idea which should be seriously explored.

38. Let me re-state one of the central themes that runs through my remarks. There is an urgent need for a revolution of the minds, the most rapid transformation of mind sets. Fundamental to the new partnership of equals that the European Commission talks about is a mental revolution.

39. Europe must decide its priorities. Is economics in command? Or is economics not in command? As ye sow, so shall ye reap.

40. Europe must increasingly not only understand but also appreciate pluralism.

41. Bad governance should attract the condemnation of all mankind. Atrocities are atrocities wherever they occur. But why is it that so many from Europe understand and appreciate the fact that Asian music should develop along its own path and should not be great imitations of the Beatles, Aznavour, Mozart and the Modern Jazz Quartet? And yet so many cannot tolerate any Asian form of governance that is not a fair copy of the European form.

42. Why is it that so many from Europe understand and appreciate Asian art and celebrate its enormous diversity and take it as only natural that it is not a carbon copy of European art? And yet so many insist that Asian ways of business and economics, politics and administration cannot be legitimate unless they are carbon copies of European ways.

43. There can be no real movement towards "a partnership of equals" until there is a greater equalisation of humility and the disappearance of what some will call incredible arrogance.

44. Many in Asia look at the state of Europe. In their more exuberant moments, there are many Asian leaders, I am sure, who think they can solve Serbian atrocities in Bosnia, the Basque problem, the income inequalities between northern and southern Italy, the problem of homelessness in rich societies, drug addiction, classroom violence, vandalism and the ridiculous health systems. There are some societies where there are more illegitimate babies born than legitimate ones. There are countries where large numbers in their thirties or even forties have never worked for a single day of their

lives. There are places where an unemployed person is better off not working than if he found a job. There are some polities where political leaders are afraid to do what they know is right, for one reason or another. There are economies where employers can only afford to retrench when they are doing well and cannot afford to trim their staff when they are doing badly. There are so many countries where people expect to earn more and more for doing less and less. And the people and the leaders in most European countries live in fear, fear of the free media which they so loudly proclaim as inviolable. Everyone is entitled to privacy except when the media choose to invade it. It has become a many-headed hydra which sours everything on which it breathes. Publicly they breathe in the foulness of the breath, but privately they express their abhorrence. Such is the monster of their own making.

45. Many Asian leaders, in their moments of levity, let me hasten to add, believe that they have the answers to such problems. If some European countries want their help and advice, I am sure they would be willing to give such help and advice. But so far, it has not entered the mind of any Asian leader to threaten sanctions if any European country fails to put its house in order. No Asian parliament I am aware of has passed a single resolution calling on its government to take steps should a European country not reform itself.

46. If any Asian leader were to so threaten or if any Asian parliament were to so act, the west would regard them as mad. The west would regard the whole idea as preposterous.

47. But, reflect. If it is preposterous and mad for Asian leaders to threaten sanction when Europeans fail to measure up to their standards and norms, could it not be equally preposterous for Europeans to threaten sanction when Asian countries prefer their own standards and not Europe's?

48. Europe has now called for "a partnership of equals capable of playing a constructive and stabilising role in the world." Let me add that this partnership of equals must serve not only the interests of Europe and Asia but also the entire world. It must be an important element of the new world order I spoke of, an order characterised by cooperative global prosperity, democratic governance, with greater global equality, fraternity and caring, and much more mutual respect.