

## **THE PACIFIC DIALOGUE**

THE PENANG MUTIARA BEACH RESORT, PENANG, 13 NOVEMBER 1994

Let me begin by wishing you all a very warm welcome to Malaysia and particularly to this beautiful island of Penang. I hope that your stay will be a pleasant and fruitful one.

2. If you have not been here before , I hope you will be able to find some time to see a little of our country. If you have not been here for some time, I hope that you will notice the changes.

3. In the last quarter century, we have been growing by an average close to seven percent per annum. In the last seven years, we have been growing at 8.4 per cent per year, with an average inflation rate of 3.6 per cent. Over the coming generation to 2020, we hope to grow by an annual average of seven percent. If we can do this, we can by that year become a fully developed country with a standard of living comparable to that of the United States today.

4. We take a measure of pride from the fact that we were the first country in the then "Free World" to defeat a Communist insurgency. We take a measure of pride from the fact that shortly, I will not say how shortly, we will be having our tenth general elections. We are proud of the fact that since 1955, when we held the first elections to choose the first pro Independence government, we have had eight indisputably free elections: in 1959, 1964, 1969, 1974, 1978, 1982, 1986 and 1990, elections in which opposition parties not only won seats but have been able to take over state Governments. This is quite a record for a developing, new and newly independent democracy.

5. We are a democracy, giggles and cynical smiles notwithstanding. This multi-ethnic and multi-religious country, with all its difficulties and challenges, could not have made it without a healthy and sustainable democracy. God knows what would have happened had we adopted the Swedish form of democracy, or the Italian form or the Japanese form of democracy. I say this without meaning to imply that there is anything wrong with the Swedish form or the Italian form or the Japanese form. I only mean to say to each his own.

6. We certainly could not have made it without peace, political stability and a secure rule of law. Nor could we have made it if we are as corrupt as we are reported to be. Corrupt countries do not achieve 8 per cent growth and political stability. I will say nothing of the record in the countries of the erstwhile critics.

7. The Government can take some of the credit. But let me say that this country could not have achieved what we have achieved if not for the fact that our people have been willing to shed their blood in the struggle for their peace and their future. The people have been willing to toil and sweat to build this nation. What Malaysia is today is largely the result of the genius, the grit and the sweat of the Malaysian people.

8. Let me also add that we could not have successfully completed the journey to the present without the contribution that was made by our friends from abroad. And it is impossible for Malaysians to contemplate a successful journey to their 2020 future without the greatest contribution of our friends from abroad. It simply cannot be done.

9. It is because of this realisation that I would like to stress to you the importance that we place on securing as much American investment, technology and know-how as possible. A great deal has been done in the past. I believe it is not good enough. Much much more needs to be done.

10. According to the US embassy, the United States now sells more to Malaysia than it sells to all of Eastern Europe plus Russia. This sounds good. It is. But I believe that trade between Malaysia and the United States should also be taken to new heights.

11. American firms have a comparatively good reputation for technology transfer. We would like to see their reputation improve even further.

12. What I say of the United States applies to all of the economies represented in this room, indeed to all economies. Japan has of course played a most critical role in the saga of Malaysian development. Some now consider Japan a country of the past. I believe that it remains a country of the future.

13. Let me now turn to broader issues.

14. Let me concentrate my remarks on only three points. First, let me make the strongest case possible for a new mindset and a new crusade that all the countries here represented should join. I most earnestly believe that we must work together and for the first time in human history for a single global commonwealth founded on the principle of cooperative prosperity.

15. Second, we must welcome, engage, persuade and drag the entire world into the making of the future prosperity of East

Asia. It will not be just for the good of East Asia. It will be good for the whole world.

16. Third, we must seek to establish a new world order securely grounded not only in the idea of common prosperity but also in mutual understanding and mutual regard.

17. Many of us in this room are extremely worried about the increasing attraction of beggar-thy-neighbour attitudes. There are regions that are so internally preoccupied that they are too busy to see others running fast -- and past. There are regions in danger of turning inward. There are dangers of inward-looking trading blocs.

18. I do not condemn regionalism. Far from it. After a quarter century, we of the ASEAN Community are all too aware of the remarkable direct payoffs and equally remarkable indirect consequences of the entire ASEAN experience. We have established not only a community of peace and stability but also a community committed by deed as well as words to open regionalism.

19. So long as there is this commitment to open regionalism, the opening of the regions is adhered to, I believe that every region has the right to organise itself and to cooperate among themselves. Indeed, if there is this commitment to open regionalism and this attempt to open regions, regional states do have a duty to cooperate, and thus contribute to open globalism.

20. But is there anyone here not concerned about the protectionist impulses that are emerging at the regional as well as the national levels, even from former champions of free trade?

21. With the end of the Cold War, we have for the first time in human history, an opportunity to build a single global economic system. Given time and with the forces of globalism, this is in fact inevitable. What farsighted and enlightened leadership should ensure is that there is a single global economic system as soon as possible. We need to ensure as much prosperity for everyone as possible. We need to ensure that we create a prosperous global commonwealth.

22. In the 1930s beggar-thy-neighbour policies ran rampant. During the Cold War, prosper-thy-friend and beggar-thy-foe policies held sway. It is time for us all to adopt prosper-thy-neighbour policies. This is what we in ASEAN are trying to do with the wider Southeast Asia. We are working very hard at it.

23. This is what many economies in East Asia are deliberately doing. It is no less virtuous because we are doing it out of love of ourselves even more than out of love for our neighbours or our region.

24. Imagine what would be the consequences if all economies on this planet were to have this orientation and actively pursue these policies? Imagine the consequences if prosperity-neighbour policies and the ideology of cooperative prosperity were to run rampant? The twenty-first century will be mankind's most bountiful, greatest century.

25. The world took a step forward when the Uruguay Round was completed and when GATT could no longer be so easily the butt of the joke that "G" "A" "T" "T" stood for a general agreement to talk and talk. It is crucially important for the negotiated outcome to be quickly ratified. It is crucially important to build upon what has been agreed and to seek to go beyond, towards even greater liberalisation and towards greater global economic freedom.

26. I am proud that Malaysia ratified the GATT agreement on September 6 this year. We were one of the first countries in the world to do so. After the ratification, our trade-weighted average level of protection fell to 8.5 per cent. In the recent Budget we went further, with the most sweeping step ever taken, to unilaterally abolish all import duties on 2,600 items.

27. It might well be argued that unlike many other economies, Malaysia is a competitive economy, extremely open to the world, with an already liberalised market. Our protection level is already very low. Therefore, Malaysia loses nothing if other nations were to open up and the level of protection in ASEAN or East Asia or the Pacific or the world were to be brought down to Malaysia's level. Malaysia would not lose anything and would have much to gain.

28. This argument is fundamentally flawed because the primary purpose of freeing one's economy and opening it to all comers is not in order to negotiate a similar opening on the part of others. In fact, the great nineteenth century inventors of the doctrine of free trade would be completely surprised by the argument of reciprocity. They believed that the main gain from opening one's economy and thus competing against all comers, especially the most competitive, was the gain in one's own competitiveness and strength. This is the justification for trade liberalisation. They were and are absolutely right. How else could the Malaysian economy have become competitive?

29. No economy can be competitive if it relies on the dole and on avoidance of competition with the best and most competitive. God help those who wish to hide behind high walls of protection. It is a certain formula for decay and weakness.

30. Let me now turn to my second argument.

31. Once upon a time, not long ago, East Asia consisted of economies that were uncompetitive, poor, stagnant or worse. Every economy without any exception was, at one point or another in the post-war period, given up for lost or dead. Let us not forget that till the early 1950s, there were still reports of Japanese dying of malnutrition and starvation. More than one Japanese administration despaired over the prospect of Japan ever becoming a competitive and dynamic economy.

32. Today, almost all the economies of East Asia are regarded in hyperbolic terms. "Miracle" is a common word. We are often compared to some of the fiercest and feared animals. This region of dominoes is now seen to be a region of dynamos. Obviously an economic revolution of some sort has taken place.

33. Just about everybody expects this cumulative revolution to continue until well into the 21st century. Who am I to disagree, since the predictions are all so agreeable and comforting?

34. What we East Asians have to make sure is that we do not shoot ourselves in the foot or some more vital part of the anatomy. We cannot afford to give up the hard slog, the sweat, the toil, the toil and the toil. We must never, never become arrogant. I have always believed that pride always comes before a fall. We must always hold firmly to our natural Asian humility.

35. We must also hold firmly to our commitment to open regionalism. I have repeatedly stated that this must mean that in any regional effort we undertake, we must firstly be wedded to trying to open our region further. Secondly, we must make sure that intent is translated into reality. Our region must be further opened. This is what we have seen happen in East Asia especially over the last two decades. Which is why we are today extremely dynamic and competitive.

36. In 1992, the East Asian regional economy overtook the Western European regional economy and the North American regional economy in purchasing power parity terms. In foreign exchange US dollar terms, this will not happen until the year 2000 or so.

37. Since the Europeans launched their effort to create a single European economy in the mid-1980s, East Asia has been the fastest integrating region in the world. For this we have America largely to thank, because of the Plaza Accord.

38. Driven largely by investment, intra-East Asian trade has so far in the 1990s been increasing at the rate of 20 per cent per annum. With intra-East Asian trade standing at 43 per cent, the East Asian regional economy is more integrated than the NAFTA regional economy. Unlike the European and NAFTA case, our massive regional integration, which continues to accelerate, has been entirely private-sector driven. It has been the consequence purely of market forces. In the years ahead, this must remain so.

39. To cut a long story short, what I would like to emphasise is that we must warmly welcome, strenuously engage, vigorously persuade and drag North America and Western Europe, if necessary, by the scruff of their necks, into the making of our economic future. Without neglecting anyone at all, while ploughing every field in every part of the world, our primary strategic target must surely be the North American and Western European firms of every size -- the huge, the big, and the small.

40. The European Union and the World Bank now say that by the year 2000, which is only 61 months away, there will be 400 million East Asians with the per capita income of North America and Western Europe. In other words, there will be more East Asian consumers with high purchasing power than North American or European consumers with high purchasing power. The IMF says that between now and the year 2000, the total world GDP will rise by US\$7.5 trillion. More than half of that increase will be produced in East Asia.

41. Despite all these mind-boggling statistics, many of us still feel that most of the rest of the world has yet to wake up to the East Asian opportunity. And of course, far too many are only content to see us only as "the East Asian threat".

42. Let me now proceed to my last point. I do believe that there really is a great need to have much more mutual understanding and mutual regard.

43. There are now those who see the future in terms of the "clash of civilisations". Samuel Huntington ended his Foreign Affairs article by calling for co-existence between the world's great civilisations. I think that Professor Huntington is very wrong and his conflict orientation is very dangerous. But the point I wish to stress is that co-existence is not

good enough. Why can we not set a higher objective? Why not mutual understanding? Why not mutual appreciation and regard?

44. Exactly one month ago, at the "Europe/East Asia Summit" organised by the World Economic Forum, I challenged the Europeans to not only understand us but also to appreciate pluralism.

45. Let me make myself perfectly plain. Bad governance should attract the condemnation of all mankind. Atrocities are atrocities wherever they occur. No atrocity is in any way less of an atrocity simply because it is Asian.

46. But I asked the Europeans why it is 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 and Mozart. And yet so many cannot tolerate any Asian form of governance that is not a fair copy of the European form.

47. 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.

48. Why is Asian music, art and literature celebrated because they are so uniquely different from European music, art and literature and yet Asian values and ways of governance, politics and economics are so vilified and detested by so many, when they are found to be different?

49. I informed the Europeans that there has to be a greater equalisation of humility and the disappearance of what some will call incredible arrogance.

50. As an Asian, I am very proud of the achievements that East Asia has been able to make in recent times. We have a peace that is more secure than at any time in the last century and a half. Nevertheless, there is a long distance still to go.

51. We have seen the march of democratisation, people empowerment and human rights with a breadth and depth seldom seen in the history of mankind. It is unparalleled. It cannot be stopped. Life expectancy in Shanghai now exceeds life expectancy in New York. Yet we are only at the beginning of our long journey. And we cannot sit back with folded arms and be satisfied with what has so far been achieved.

52. Very recently, the European Commission issued a path-breaking policy paper. It was called "Towards a New Asia Strategy". This paper argues: "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."

53. I do not know whether these words will be turned into reality. But perhaps the European Union is on to the right path. At this stage, I do not believe that East Asia even thinks of equality. But we do demand some respect. Perhaps, in the days ahead, we will be entitled to a little.