

THE 5TH GULF ECONOMIC FORUM ANNUAL CONFERENCE

LE ROYAL MERIDIEN, BAHRAIN, 08 APRIL 1997

1. Firstly, I would like to thank the organiser of this Conference, the Gulf Economic Forum, for inviting me here today. I have chosen to speak on the topic 'Building the Global Commonwealth of the 21st Century'. This topic is particularly relevant as we are today not only on the brink of a new century, but we are also poised on the edge of a new millennium. The need for a single global world of peace and prosperity is imperative.

2. Exactly one thousand years ago, as the so-called 'civilised world' gyrated towards the end of the first millennium, towards the year 1000 A.D., Europe apparently was in the grips of despair and despondency. The learned clerics had divined from their scriptures, it seemed, that exactly one thousand years after the birth of Jesus Christ, the whole world would come to an end. It would be the coming of the Apocalypse.

3. A blanket of pessimism and hopelessness smothered whatever enterprise dared to raise its head. Effort was eroded. Endeavour was cribbed. What was the use of enterprise, effort and endeavour, if the world was inexorably moving towards "doomsday"?

4. According to one European historian: "Buildings of every sort were suffered to fall into ruins. It was thought useless to repair them, when the end of the world was so near". Stories were told of rich men surrendering wagon-loads of jewels in the hope that the end of the world "would find them in a state of grace".

5. As we now move towards the end of the second millennium and the beginning of a new century, it would be foolish of me to come 'before you with talk of 'boomsday', of a future full of promise and sunshine, ripe for the taking.

6. The 21st century will obviously be every bit as challenging as the murderous 20th century, when 160 million have so far died from war, when three billion people, more than one in every two human beings, exists on merely US\$2 a day -- despite all the advances in the fields of science, of communication, food production and thus the possibilities for a world without poverty, living in peace, stability and justice.

7. Cynicism is natural. Realism is absolutely essential. But I do believe a new world is ready to be built. If we can cherish the vision for a better world, for a truly new world order; if we can find the will, if we can summon the strength, if we can persist with the tenacity, the 21st century could be mankind's greatest century. There truly is a chance for a new beginning in the new millennium.

8. I have only two points to make before you today. First, you are in West Asia. You are not 'the Middle East', to the east of Europe, the middle of the East. You can locate yourself in the middle of the world if you so choose. West Asia on the other hand is part of Asia. By all means look north. Look west. Do not neglect the south. But whatever you do, do not forget to go east -- as you did in history, to

the benefit of us in your east, to the benefit of the Europeans to your north, and to your own benefit. You are the first Western people to reach the Malay Peninsular, now a part of Malaysia. To us you were and you are Westerners - not just the Europeans.

9. We in Malaysia, we in the ASEAN countries, we in what the Europeans insist on calling "the Far East" need you and want you to be with us, in the making of our future and we believe your future too. And you have a vital interest in being with us, in profiting from the most dynamic economic development region in the history of the world.

10. Second, although Asia looks set, Insyah-Allah to once again return to its place in history; although Asia will probably see the return of history, what we must seek to build is not the Century of Asia, not the Age of Asia, where Asia will be ascendant, will be dominant, will hold sway. Instead, what we must, along with the rest of mankind, try to build is the Century of the World - which affords more promise to all who deserve it, which provides reward to all who have earned it. We must strive together towards a single Global Commonwealth, which is propelled by the logic of cooperative prosperity, which is considerate of all of Allah' s creations, which is caring of all the children of Adam.

11. Despite the finest efforts of the Asiaskeptics, largely congregated in the so-called ` West' , I am convinced that the so-called ` Far East' will increasingly be the centre of economic gravity of this planet. You must resolve to be part of the rise of this New Asia initiated by the East Asian countries.

12. In the Nineteenth Century, when Europe grew by three percent over an extended period of time, this was called "the Industrial Revolution". For fifty years now, the major economies of East Asia stretching from Japan to Indonesia, the world' s most populous Muslim nation, have been growing between two to three times faster. They have been galloping at a pace and for a duration never before seen in human history.

13. It is no surprise that the writers of the West struggling to understand what is happening have decided to call this, ` the East Asian Miracle' . The results have truly been astounding and miraculous. We are not just people, or economies or even countries. They say we are dragons and tigers.

14. Believe it or not, at the time when India and Pakistan achieved independence, the Japanese were much poorer than the Indians and the Pakistanis. Hong Kong and Singapore were hopeless economies. The Indonesians were impoverished. My own country, at the time of our independence in 1957, had a per capita income of US\$227. Malaysia, this Muslim country, managed to catch up with the per capita income of Haiti, the poorest country in the Americas, only in 1960.

15. Today, everyone knows the per capita income of Japan. The people of Hong Kong and Singapore are substantially richer than the people of the United Kingdom, their former masters or soon-to-be former masters.

16. Malaysia's per capita income last year was US\$4,374. Haiti today is still the poorest country in the Americas. Indeed, in terms of purchasing power parity, of what our money can buy, if my country were located in the "Western Hemisphere", Malaysia would today have the third highest standard of living in all of the Americas, coming only after the United States and Canada. I am not boasting but there is a need to put things in their proper perspective.

17. As recently as fifteen years ago, Malaysia lived from what we could take from under the ground and what we could grow on it. The pillars of the Malaysian economy were agriculture and mining. We have always been a trading nation, seeking prosperity through buying and selling to the world. In 1980, only 24 percent of our exports consisted of manufactured goods. Today, 82 percent of our exports are manufactured goods. We now have to import rubber and tin for our industries, commodities in which we were once the biggest producers and exporters in the world.

18. In the short space of 15 years we have managed to become the fourth most industrialised economy in the world in terms of population size. In terms of percentage of industrial output to total GDP, in terms of the percentage of workers employed in industry, and in terms of the percentage of manufactured goods in our export basket, we are among the first five in the world.

19. Having in the last fifteen years moved from being an agricultural economy to becoming an industrial state, we now have to grapple with the transition in the near future to the post-industrial society.

20. The results of the so-called East Asian 'miracle' for my country and the other dragons and tigers of East Asia have truly been quite remarkable. But a miracle, a simple wave of the wand or the incantation of magical words it is not and it has never been. We were not lucky enough to have been born with a silver spoon in our mouth. Still less, with a magic wand in our hand.

21. In specifics, we all accomplished what we have accomplished according to the 'Sinatra Principle'. We all did it our way. But more than that: we also all did it the old fashioned way, without mystery of magic, but with a great deal of toil, tears and sweat. Malaysians (the majority of whom are Muslims) work very hard. In 1994, the average Malaysian worked 2,288 hours:

By comparison the Israelis worked 1,940 hours;

* the hard-working Swiss (who are said to have the Calvinist work ethics) worked 1,879 hours; and

* the smart-working Germans (the paragons of the Protestant ethics), worked 1,704 hours.

22. Malaysian even worked harder than the Japanese. Only Chileans and Koreans work longer hours.

23. After more than a generation of sizzling growth rates, there are now many

Asiaskeptics, especially in the developed world, who have been predicting the end of our growth run.

24. In the early Nineties of course, we saw how Japan stumbled.

25. We then saw a whole range of theories as to why East Asia could not keep on running.

26. Paul Krugman argued that our growth was the result of incredible inputs of capital and labour, without any substantial growth in what the growth accountants call total factor productivity. According to this thesis, we are now bound to slow down because these superhuman investments of capital and labour cannot be sustained. We would run out of both capital and labour. It never occurred to professor Krugman and those who so merrily cheer him on that if indeed we were able in the past to achieve all that we achieved with no assistance whatever from productivity growth, imagine what we would be able to achieve in the future once we add the hand of productivity to our cause - provided, of course, that East Asians are not deliberately barred from productivity improvements. The fact of course is that Mr. Krugman had the right theory and the wrong facts - because a long string of experts (who, unlike Krugman, worked out their own sums) have now published their own calculations, which in fact argue that East Asia's past ability to mobilise investments of labour and capital has in fact lead to their productivity growth.

27. Others have argued that East Asia cannot continue to run because of energy constraints, because of environmental limitations, because of food pressures, because the markets in the West must dry up, because of the end of technological leapfrogging as East Asian technology catches up with the technology of the West, because we will fight amongst ourselves, because China will be a threat, because there will be war across the Straits, because of the rise of income gaps, because of urban-rural disparities, because of congested cities, because of contaminated water. Because we will not build enough infrastructure, or because we will build too much. Population pressure. Financial constriction. Stress. Suicide. Even traffic jams. You name it. One or all of these things will fall on our heads or run over us and flatten us down to the ground.

28. The Asiaskeptics with huge intellects disagree as to exactly why we will stumble and fall. But they are united as to the certainty of our fall. We in East Asia will stumble and fall. And we will stumble and fall:

* although we have defied all the jeremiahs who have been predicting our doom for the last half century;

* although our problems of success of today are infinitely preferable to the problems of failure of the past; and

* although the dangers of the future pale in comparison with the dangers which we have recently successfully, and often so dramatically, confronted and overcome.

29. I will not dwell on what they think will happen to West Asia and the Arabs in the future. They are obviously very satisfied that you are facing some horrendous problems and they think you will never surmount them. It is not that we feel absolutely certain of the future prosperity of East Asia. Disasters can happen whatever may be planned by Man, whatever they may do. But the predictions of the great thinkers of the West sound too much like wishful thinking. There is such a thing as self-fulfilling prophecy. Our fear is that if it does not happen, these prophets of doom might try to make sure it will happen.

30. Arrogance is never justified. It is always dangerous. Humility is always necessary. It is always a useful companion in our journey through life. But having climbed the equivalent of Mount Everest, East Asians might be excused for thinking that all the other mountains look like hills, and the hills like sand dunes. All can be scaled, if, God willing, we hold firmly to the secrets of the past and adjust rapidly to the demands of the future.

31. Of course, just like everyone else, we are well capable of shooting ourselves in the foot or in much more vital parts of our body. There will be twists and there will be turns. There will be many downs. We do not lead charmed lives. We have no magic potions. Except for those with limited ambitions, the future will always present much difficulty. When we stop worrying about the future, that is the time to start worrying.

32. But I regret to inform all those Asia cynics and sceptics whose declared concern for our welfare often seem to be even greater than our concern for ourselves that the chances are pretty good, Insha-Allah that we will continue to persevere.

33. Asia is set to rise. Let us not forget that the great cultures and religions of the world all originated in Asia. Indeed Asians conquered Europe before Europe ever knew there was a world beyond Europe for them to conquer and colonise. What Asia could do once Asia can do again -- not to conquer militarily, not to colonise but to achieve economic power which can balance those of Europe and America. Asia should not strive to dominate the world. It should strive to balance the dominance of the West so that we will create a more equitable world, a Commonwealth of the world where the wealth is truly common, not possessed only by a privileged few.

34. There is much profit still in the rich, mature and old world of Europe and North America. But it would be a mistake to look only in that direction, to seek wealth and know-how only from there. Look East. Malaysia looked East without stopping to look West; and we have benefited immensely. The people of West Asia will lose nothing by looking East. Indeed you can gain and gain a lot.

35. This year, seven of the fastest growing economies in the world will be in East Asia. This should be no surprise. This would have had to be said for almost every year over the last generation. By the time we enter the 21st century, Asia will almost certainly be the largest regional economy in the world, bigger than Western Europe, bigger than North America. There will be more Asians with a

European standard of living than Europeans with a European standard of living. There will be more Asians with an American standard of living than Americans with an American standard of living. Admittedly, there will continue to be large numbers of very poor people. But Asia has more than 3 billion people compared to Europe's 350 million and North America's 300 million. Even if the percentage of rich people is small it is going to be bigger than the absolute numbers in Europe or America.

36. The rise of Asia has begun in all earnestness. But the interest of Asia lies not in the Age of Asia or in the so-called Asian Century. Asia should not seek arrogance, dominance or hegemony.

37. Our struggle for the twenty-first century must be in the building of a single world, a single Global Commonwealth where peace will be common and shared, where prosperity is common and shared, where we find comfort and solace not in the things that divide and differentiate us but in our common and shared humanity.

38. There are some who tout the clash of civilisations, who even conjure the bogey of a Confucianist-Islamic alliance. Some say that what we must seek is a peaceful co-existence of civilisations. Why not ensure instead a celebration of civilisations; a feast of civilisations, where we not only tolerate each other, where we not only tolerate our differences -- but where we celebrate our differences and we feast on the best that each civilisation and culture has to offer.

39. Many will say that the single Global Commonwealth is utopian. After all we know there is at least one Commonwealth where the wealth is far from being common. But a strong Asia playing a responsible role can bring about a mind-shift and gradually nurture a true Global Commonwealth of more equitably shared wealth.

40. In 'The Wealth of Nations' written in the year the United States declared its independence, Adam Smith stressed one single force, the 'invisible hand' -- which he identified as the productive individual self interest -- which works its magic to produce the common good: prosperity within a country. But there could additionally be the 'invisible shoulder', the idea that our prosperity can be ensured by applying the 'invisible shoulder' to create prosperity for others. This is not altruism. It is really enlightened self-interest.

41. For many centuries we have been seeing nations, powerful nations enriching themselves by impoverishing others. They talk of zero sums in which one nation's gain can only be achieved at the expense and loss of other nations. Beggar your neighbour was and is their philosophy. In the days of colonialism they extracted the resources of the colonised to take back to the metropolitan countries. After colonialism became no longer respectable they changed the terms of trade so that the former colonies, the newly independent nations, had to sell more and more of their primary produce in order to buy less and less of the manufactured goods produced by the developed nation.

42. Now the poor countries are even being told not to exploit their resources because they are jeopardising the climate of the world and the quality of the environment for the rich. They may not pay low wages as this will result in the workers of developed countries losing their jobs. The developing countries must never use their competitive advantages.

43. But in the East it has been shown that when rich countries invest in poor countries, creating jobs and wealth through exports, the investing countries not only profit from their enterprises but they create markets in the formerly poor nations for their goods and services. As a result the rich investing countries and the recipients of the investments both prosper. In other words by applying the invisible hand to achieve prosperity for others, you can actually prosper yourself. It is a case of prosper thy neighbour and not beggar thy neighbour. Instead of zero sums, we obtain positive numbers instead.

44. Individually we should all be productive using the force of Adam Smith's invisible hand. But even as the invisible hand works to produce the common good, prosperity within a country, why should we not apply the 'invisible hand' of the wealthy nations to produce the common prosperity of all nations. That way we can achieve the Commonwealth of the world. Idealistic perhaps. What has happened to the League of Nations and the United Nations is not encouraging. But must we abandon hope and ideals altogether because they failed. The prosper thy neighbour philosophy does not involve any sacrifice by anyone. Everyone stands to gain from a world of shared prosperity. It is a win-win formula or philosophy.

45. East Asia is almost uniformly prosperous because, by accident or by design, prosper thy neighbour has become its philosophy. But why should East Asia not share its enriching philosophy and practice with the rest of the world, in particular with West Asia. Surely by sharing East Asia will be richer even as West Asia become richer than it already is. Then and then only will the Asian Renaissance be complete.

46. Europe may have approached the end of the first millennium in fear and trepidation, believing that doomsday was approaching. No one really knows when doomsday will come. Only Allah knows. It may come when we least expect it. But for Muslims in particular we are enjoined to seek a balance between the worldly and the hereafter. For as long as we prepare ourselves for the hereafter there is really no reason why we should not seek a better life in this world. Helping in the creation of wealth for all will give us a better life for ourselves and for others. It is charity without cost. We will create a better world in the 21st Century, God willing. And it will all be in keeping with the injunction of our religion.

47. I wish you all a successful Conference. May your meeting contribute towards a better world for us in Asia and for the world.