

THE ASIA-EUROPE PARTNERSHIP CONFERENCE

LONDON, UNITED KINGDOM, 4 APRIL 1998

" Building the New Asia-Europe Partnership "

It gives me great pleasure to be present here today to address you on the theme, "Building the New Asia-Europe Partnership" which I strongly believe is pertinent given the renewed interest in the relationship between our regions. I would like to thank the organisers, Wilton Park International Conferences, Asia House, the Asian Strategy & Leadership Institute (ASLI) and the Centre for Research & Communications for inviting me to join you at this conference and to share some of my thoughts on forging a new Asia-Europe partnership for the next millennium. As you are aware, we have just concluded the Second Asia-Europe Meeting (ASEM). I am happy to say that the meeting has not only created a better understanding between the leaders but has also paved the way and pointed toward a clearer direction as to how the relationship should be further enhanced.

2. It seems timely for Asia and Europe to rethink their relationship, especially as the world is undergoing radical changes in ideas and technology which cannot but force relations between nation and nation, regions and regions to change. We can no longer live in isolation but being forced to be close neighbours must put a strain on all of us. History has shown that neighbours are more likely to be at odds with each other than are people separated by distance and are ignorant about each other. Since modern technology has made us all next door neighbours it is important that we take the idea of re-shaping our relations seriously.

3. There had been times in the past when Europe only knew of Asia when Asian hordes raided and rampaged through Eastern Europe, the Mediterranean shores and the Iberian Peninsular. They swept back and forth and in many instances they conquered and settled for centuries. The reconquest of these territories was followed by European ascendancy over the whole of Asia. Such was European success that not a single square mile of Asia was free from European domination in one form or another.

4. The relationship between Europe and Asia during the period of European imperialism was not something that Asians look back at with pleasure. But there can be no denying that European domination lead to radical changes in the world view of the Asians. On the one hand they resented their subjection, on the other they were inspired to adopt the values, ideas and methodology of their erstwhile colonisers.

5. It was European ideologies which led to the eventual liberation of the Asians. They quickly imbibed European Communism, socialism and democracy. They adopted European republicanism and even European ideas about constitutional monarchy. By the time the Asian nations became independent they were no longer the same Asians who had originally been subjugated by the Europeans. In terms of ideologies and values, in terms of their perceptions and world views

the Asians had been Europeanised. They organised their countries and their administration largely along lines common to Europe.

6. Despite past experience there was a great store of goodwill among Asians for the Europeans. In fact the Asian countries were more strangers to each other than they were to European countries. This is clearly shown from the amount of travelling between Asian countries and Europe as compared with travelling between Asian countries and Asian countries today. Asian airlines have more flights to and from Europe than even to neighbouring Asian countries.

7. The adoption of European methods and techniques has served the Asians well. Those Asian countries which learned these methods and techniques well developed very quickly. It seems likely that they would catch up with the Europeans. Some even talk of Asian domination and the 21st century becoming an Asian century.

8. Unfortunately when Europe had to shed its Asian colonies in the post World War II period, it coincided with the need to put an end to the periodical wars which had plagued Europe for almost two millennium. The pursuit of a European Economic Community forced them to look inwards at Europe rather than at emerging Asia.

9. In the effort to create the EEC the Europeans formulated policies which tended to reduce contacts with Asian countries. There was no blatant discrimination against Asia as a region but the ties with Asian countries were allowed to wither away somewhat. There was even a suggestion of Fortress Europe in the making. Some of the European countries distinctly used non-tariff and even tariff barriers in order to keep the European market to themselves.

10. The EEC eventually evolved into the European Union, a fair copy of the United States of America, complete with a European Parliament. The Eurocentric policies will eventually result in a common European currency. What else will be common is anyone's guess. But it is certain that as Europeans warm up to the idea of being European, the non-Europeans, the Asians will find themselves somewhat excluded.

11. There was real fear recently that a single Europe would not allow Asian airlines to pick up passengers in one European city and fly them to another European city. Getting fifth freedom is difficult enough but if Europeans consider routes linking European cities as domestic then non-European airlines would lose their rights.

12. In shipping there is the cabotage policy which limits shipping between domestic destination as exclusive to domestic lines. If Europe considers such routes as domestic, as indeed the US considers such routes domestic, then Asian shipping lines might find themselves excluded also.

13. These were the fears and these are still the fears. A united Europe free from European Wars is welcome. The first and second World Wars were essentially European Wars but they sucked in the other countries of the world and spawned

other wars in other regions. The assurance that European Wars will no longer plague the world is welcome. But we do know that every idea invented or devised by men has a way of getting interpreted differently from the original with the passage of time. Even religions have over time been interpreted in very negative ways, bringing about the very results they were meant to prevent. It is important therefore that the world watches the evolution of the European Union so that the good that it can bring is not negated by some narrow interpretation.

14. While Europeans focus on the European problem and the creation of a united conflict-free Europe, Asia has been changing. By the 1960's most of the Asian countries had gained independence. Having learnt through their forced contacts with the European, the East Asian countries in particular set out to modernise and develop their countries. They resolved most of the problems including those left behind by the departing Europeans and then went on to adopt systems which would contribute to rapid development. Most of them succeeded and they looked like they would catch up with Europe.

15. Their emergence on the world scene had an impact on the European economy. While Europe believed in maximising profits in order to make up for rapidly increasing costs, in particular the cost of labour, the Asians went for market share by minimising profits and rapid expansion. In the end the Asian products were able to displace the European products not only in non- European markets but even in European markets. Alarm bells began to ring in the European Community. The sounds were echoed in North America.

16. For a time it looked like Europe and America would try to counter Asian incursion in the market place through the GATT and the WTO. It was suggested that trade should be linked to human rights, democracy etc. Asian records were scrutinised by Europeans and invariably found wanting. As a result markets were to be closed to them.

17. The Asians resisted. The attempt failed. It is to the credit of the Europeans that they did not push this idea too hard. They were more considerate. While they objected to the alleged abuses of human rights, they preferred to put an end to such abuses by other means.

18. At about this time Europe became interested in having a dialogue with Asia. And so in March 1996 the first ASEM was held in Bangkok. Twenty-five Heads of Government speaking several what may be called exotic languages cannot be expected to establish good understanding, much less formulate policies to bring about meaningful cooperation between their heterogeneous countries. But the fact is that they did.

19. Among the decisions made which can contribute towards better and closer relations between Europe and Asia is to have European students study in Asian Universities and institutions. For more than a century the flow of students was only in one direction; from Asia to Europe. The result is not only the spread of European knowledge in various disciplines, but the Asian students learnt also the cultures and the ways of the Europeans. They were thus able to have fruitful

relations with the Europeans in commerce and politics.

20. But because most Europeans only know Asians as students who had to adjust to European culture, they were not able to relate to other Asians who had never been in contact with them. This gave rise to a lot of misunderstanding among Europeans about Asians. It did not contribute to good relations.

21. As much as Asians studying in Europe were able to overcome the cultural gap and understand the Europeans, European students studying in Asia would be able to overcome the cultural gap early and understand Asians and their peculiar ways better. The European students should not go to Asian universities to study Asians and their ways. They should study the usual subjects such as the humanities, science, engineering etc. because Asian universities now are every bit as good as European universities. But of course their exposure to Asian society and the Asian way of life will make them more understanding of the Asians and their ways. It would contribute towards better relations between Europeans and Asians, between Europe and Asia.

22. Apart from this decision on student exchange ASEM 1996 made other suggestions designed to enhance partnership between Europe and Asia. Such was the understanding reached that it was decided to make ASEM a biennial affair. And so on 2nd April 1998 we met again in London to continue our dialogue and to further the process of establishing a good partnership.

23. But what should this partnership be like? In many countries of the South we are now talking about Smart Partnerships. Perhaps there should be other words to describe the kind of partnership we would like to propagate but Smart Partnership simply means a partnership which benefits both or all the partners as the case may be.

24. Obviously some partnerships do not benefit partners fairly. The partnerships between developing countries and developed countries do not always result in a fair distribution of benefits or profits. The dominant partner tends to impose its will on the weaker partner which may not benefit the latter very much. In trade for example it is well known that the commodity- producing developing countries had to sell more and more primary products in order to buy less and less of the manufactured goods that they need. The terms of trade kept on deteriorating, so much so that the developing countries kept getting poorer relative to the developed. The earnings of their people decreased in terms of purchasing power because the workers in the developed countries have to be paid higher and higher wages, something which increases the cost of the goods which the developing partner buys.

25. In smart partnership there should be no dominant partner and any gains due to technology or other factors should be fairly shared between the partners. This does not mean that workers in developing countries should be paid the same wages as those in developed countries. Because of lower cost of living workers in developing countries actually get to buy more with less money. But it does mean that any rise in the prices of the manufactured imports from developed

countries should be balanced by a rise in the price of raw materials from the developing countries. With this rise in primary materials price, the wages of workers in the developing countries can be increased slightly.

26. Smart Partnership is smart also because it helps hasten the development of the poorer partner, which in turn contributes towards the continued well-being of the other partner. When the multi-nationals of the developed countries invested in manufacturing in the developing countries, they created jobs and helped enrich these countries. When these countries prosper they become better markets for the products of the countries of the investors. In fact the investments helped to industrialise the developing host countries, transferred certain low-level technologies to them and fostered the entrepreneurial development of the people. The developing countries may take off economically and so reduce the developmental gaps between them.

27. Europe would not lose from developing smart partnerships with Asia. True, certain industries tend to migrate to Asia as the Asians acquire the skills and the capacity accorded by cost advantages. But these industries are mostly of the kinds no longer suitable for the highly trained and expensive European workers. To continue with these industries in Europe would simply increase the cost of living, which in turn would stimulate demand for higher wages. It can be shown that the cheaper products coming from Asia have contributed much towards the lower inflation in Europe and America. And lower inflation make growth more meaningful.

28. The inventive skills of the Europeans will always keep them ahead of the Asians. True, sometimes Asians are better able to convert these inventions into useful products, but they have to pay fees and royalties.

29. There really is nothing to fear from sharing the wealth generated through partnerships between Europe and Asia. We would really be helping to build a better world. Europeans have already made known their concern and desire to see people everywhere enjoy human rights and a better life. If smart partnership can lead to a better life, then surely we should work towards a smart partnership between Europe and Asia.

30. Besides, it has already been pointed out that by enriching partners the contributing partners would gain. Rich partners through their purchasing power can provide the rich market which both partners need in order to enrich themselves. A poor partner can be exploited once only and in one way only. After that it becomes of little value to the rich partner.

31. Recently we talk a lot about market forces and how they will discipline Governments, make them more accountable, more open and transparent, less corrupt and not given to crony-capitalism. These are very laudable objectives. But can market forces really do this; can they have these high economic and social objectives?

32. The most important thing to the market is profits. For this it has always

shown through the ages that it is not too scrupulous. As long as there is profit to be made anything goes. Indeed the corruption of Governments and peoples is due to this desire to make profits, this primary objective of the market and the forces inherent in it.

33. No one can dispute that the free market has contributed towards the general wealth and progress of human society. It can be shown that when Governments frustrate market forces by taking over all the means of production, as the Communists and to a lesser extent the socialists did, wealth is destroyed and people are impoverished.

34. But it must be remembered that the success of the free market is also due to the regulation and controls exercised over it by society through the Governments. Can a market totally free of controls, moved largely by the profit motive, contribute to the disciplining of Government and to a better society? Can it result in partnerships for the good of human society?

35. In East Asia today we are seeing market forces at work. As you all know prior to the economic crisis that East Asia is facing today, the economies of its countries were vibrant and growing rapidly. Not only were their big businesses doing well but their people were gainfully employed as workers or entrepreneurs. They were producing quality goods and services for the whole world. And in turn they became rich markets for the developed countries to exploit.

36. Then suddenly in mid-1997 the rich countries of the West decided that the wealth of these countries were ill-gotten. There was no conspiracy of course but the rich market players acted as a herd. In other words they acted together and they followed their informally chosen leaders. Acting as a herd they became powerful, trampling over everything that came in their way.

37. For the herd there is no concern about partnerships, smart or otherwise, with anyone. There is only the desire to use the power of the herd unthinkingly. But incidentally they make huge profits while using this power. Unfortunately they made this profit by impoverishing the countries, the people and the Governments they use their powers on. They may claim to be disciplining these Governments but the effect is to destroy the countries while making huge profits.

38. In one country, a big country which I shall not name, the disciplining process by the market forces has made twenty million workers to lose their jobs, the rest have their purchasing capacity reduced to one-fourth i.e. they lost three fourth of their effective income; their businesses, big and small have been bankrupted; their people have no food or medicine, and they have been forced to migrate to neighbouring countries which unfortunately are no better off than their own. We are not too certain that their Governments and people have been disciplined but where before they were without social and political unrest now they are faced with rioting and looting of shops. And when their Governments try to maintain law and order, they are condemned.

39. The actual loss in monetary terms caused by this disciplining exercise can be

gauged from the Malaysian example. The Malaysian Ringgit has been devalued by approximately 60 percent, i.e. from 2.5 Ringgit to one USD to 4 Ringgit to one USD. Since the GNP of Malaysia was approximately 100 billion USD before the devaluation, it is now reduced to about 40 billion USD. Malaysia has lost 60 billion USD.

40. At the same time the Capital market has depreciated from 900 billion Ringgit to about 400 billion Ringgit. At the old exchange rate 900 billion Ringgit was equal to 360 billion USD. On the other hand 400 billion Ringgit in terms of present exchange rate of 4 Ringgit to one USD, the value of the Stock market capitalisation of 400 billion Ringgit is about 100 billion USD. The capital loss is therefore 260 billion USD. Together with the GNP loss, the total loss to Malaysia due to currency depreciation and fall in share prices is 320 billion USD. If you consider the number of Asian countries experiencing currency devaluation, you may be able to appreciate how much wealth and purchasing power has been destroyed.

41. The Governments and the business community of these Asian countries have been blamed for the turmoil. But the devaluation of their currencies is not done by them. Market players from elsewhere, suddenly conscious of the misbehaviour of these Asians, lost their confidence and devalued the currencies. It is the devaluation of the currencies and the depreciation of share prices which caused the turmoil, the economic decline, the unemployment, the impoverishment, the political and economic unrest. The attempt to discipline the Governments and the peoples of Asia is perhaps laudable but the cost to the people in whose interest these attempts were made is horrendous. On the other hand the people who are disciplining these Governments have apparently made billions of dollars. It is a profitable way to take disciplinary action.

42. Can such economic or business activity be considered smart? If this is the cost of market forces disciplining governments and countries, is the price not too excessive? Can the target countries be expected to welcome deregulation, liberalisation and globalisation if the result is the destruction of the economies of their countries.

43. I mention the present economic situation in the countries of East Asia in order to illustrate what Smart Partnership is not. Europe and Asia clearly want to form a new partnership. Such partnerships can only be willingly entered into if the results are beneficial to both the partners.

44. It is legitimate and right for the countries of Asia to want to progress, to develop and to become better off than they are now. We want to eradicate poverty in our midst, to educate and provide health care for our people. We are not forgetting human rights but we believe that one of the fundamental human rights is the right to work for a decent living. Political freedom manifested only in the right to vote, to demonstrate, to strike and to be free of oppressive laws without any improvement in the well-being and standard of life of the people becomes quite meaningless. Freedom to be poor is not freedom at all. It is inconsiderate to deprive people of their livelihood because we want them to be

free from their allegedly corrupt or oppressive Government. Let them decide their own fate, whether to be free or to be poor and to starve. Their self appointed partners and saviours should not force their solutions on them. That is not smart. It is not even democratic.

45. In the partnership between Europe and Asia, let us not be fanatical about the means to the extent that we forget the ends. Let us be pragmatic. Today the peoples of Asia have lost their means of sustenance because Governments of Europe have decided to abdicate their role in favour of the free market. Can there be partnership between Europe and Asia without Governments? Can markets provide the partners and a partnership that goes beyond merely the maximising of profits? Should partnerships be between equals with fair shares or should partnerships be between clients and patrons?

46. These are the questions which we must answer, and answer them with all sincerity if we want to develop a new partnership between Europe and Asia.