

The 3rd Malaysia-China Forum

The China World Hotel, Beijing, People's Republic Of China 19 August 1999

Let me begin by saying that it is indeed my pleasure to be back in Beijing again. In a way, I can truly say that I feel at home in China. Why? Because, unlike going to other parts of the world, including to nearby Indonesia or Thailand, I did not have to adjust my watch. For some of our Chinese friends here who are not aware of this -- despite the long distance between our two countries -- China and Malaysia both have the same time zone. So we can enjoy good times together and commiserate with each other during bad times.

2. Humour aside, I have been asked to speak on the subject 'China-Malaysia Relations: Challenges and Opportunities in the 21st Century'. However, before I start looking into the 21st century, I wish to recall for all of us here today that in May this year, both China and Malaysia commemorated the 25th Anniversary of bilateral relations. A lot has changed for China and Malaysia during the period 1974-1999. A lot has also changed for the region of East Asia. I am reminded that my country was the first among ASEAN nations to establish diplomatic relations with China in 1974. Since then, China's relations with Malaysia and with ASEAN have been vastly different compared to the pre- 1974 era. The bold step taken by our two countries paved the way for new directions for China-Southeast Asia ties for the last quarter of this century.

3. On our bilateral relations, I am pleased to say that both sides have maintained very good ties during that period. The many important trade and investment agreements reached helped propel our economic linkages forward. Although we have different political and social systems, we did not allow the differences to obstruct our relationship. Instead, we focused on what could bring us closer together for mutual benefit. Besides trade and investment, we moved into other areas in the last decade of the century. For example, the Agreement on Cooperation in Science and Technology of 13 July 1992 encouraged joint research and technological exchanges between the two countries. In the field of education, the Memorandum of Understanding of 20 June 1997 promoted academic exchanges.

4. Indeed a sure sign of closer relations between the two countries is that of people-to-people exchanges. Before this decade, very few Chinese visited Malaysia. However, by 1996, the figure totalled 135,743, and this grew to 158,679 the following year. And in the first two months of this year, Chinese arrivals increased by 137 per cent. From a few thousand at the beginning of this decade, the number of visa applications by Malaysians for visit to China increased to 205,000 in 1996 and 239,000 in 1997.

5. By 1996, our relationship had been elevated to that of 'partnership'. In that year, 250 Malaysians joined me and 450 Chinese to participate in the Beijing Dialogue on Malaysia-China Partnership. Indeed, the mutually beneficial ties have convinced both sides of the need and desirability to forge ahead for an even closer relationship into the new century. The Joint Statement Between the

Government of the People' s Republic of China and the Government of Malaysia on the Framework for Future Bilateral Cooperation signed by both our Foreign Ministers on 31 May this year rightly calls for a ' multi-directional relationship' in the years ahead.

6. As we continue to build and enhance our bilateral ties, I wish to take this opportunity to propose that our close relationship -- our partnership -- become more outward looking so as to involve the region which continues to be better integrated year by year. Just as Malaysia and China took the bold step 25 years ago to change the situation between China and Southeast Asia, I would like to propose that our partnership embark on a new era-setting endeavour for the region. The financial and economic crisis that struck our region during the last two years of the century has warned us clearly that there are major challenges that China and Malaysia -- other regional countries included -- have to meet in the 21st century.

7. China' s concern for the well-being of East Asia in financial crisis has been most laudable. The regional economies and the global community at large greatly appreciate China' s decision -- despite strong pressures -- not to devalue the yuan. Beijing' s cooperation and high sense of responsibility has spared the region of a much worse consequence. A renminbi devaluation would almost certainly result in a new round of currency devaluation by the affected economies.

8. However, while hard challenges exist, I very much prefer to view them as welcome opportunities to enhance our bilateral relations. In recognising the need for and acceptance of a positive and pro-active approach, we can secure further benefits for East Asia as well.

ECONOMIC CHALLENGES/OPPORTUNITIES

Immediate Challenge: To Ensure Firm Economic Recovery

9. In the wake of the greatest crisis to hit the region after several decades of unprecedented growth and development, there is now a need for both China and Malaysia to work together as well with our neighbours to ensure solid economic recovery for East Asia. Apart from bilateral consultations on trade and investment, both sides could lead in proposals at the end-of-year Informal Heads of State and Government Summit of the ASEAN 10 + 3 (China, Japan and South Korea).

For Medium term: Make Asian Monetary Fund a Reality

10. The unprecedented economic crisis has demonstrated the vital need for the setting up of a regional fund so that the economies encountering critical financial problems can turn quickly for assistance so as to prevent rapid deterioration of their economies. For the medium term, therefore, China and Malaysia should examine how together with our neighbours we can realise the Asian Monetary Fund proposed by Japan. As you may recall, the original Japanese proposal was shot down by the United States and the International Monetary Fund (IMF). Most

recently Tokyo has revived the idea and Malaysia believes that it is a concept worthy of support. It would also be good to solicit Chinese backing for the idea. Both Beijing and Kuala Lumpur could discuss the matter to see how we could -- together with the other regional countries -- encourage Japan, endowed with the largest financial resources, to realise the fund. Whatever areas that might require ironing out could be done so that the East Asian economies facing crisis can resort to it for assistance.

Long-Term Challenge: Strive for New International Financial Architecture

11. A major lesson of the regional/global financial crisis is that the present global financial system is simply not adequate to protect small economies from the onslaught of hedge funds and currency traders. Since the currency crisis began in mid-1997, Malaysia has frequently appealed for international action to stop the destructive currency trade and to discourage short-term investment in the stock market. In the autumn of 1997, I spoke in Hong Kong of the need to regulate the activities of currency speculators to protect the developing countries in particular, but mine was then a voice in the wilderness. My views were regarded as ridiculous in a world moving rapidly towards ever greater globalisation, deregulation and liberalisation. It was said that any kind of regulation would stifle foreign investments thus bring further damage to the developing economies.

12. Although China has not been spared of the impact of the crisis, it nevertheless did not suffer the rapid depreciation of the yuan because of protection derived from non-tradability in the international currency market. Yet the experience of China's neighbours have shown how devastating hard earned national wealth over the decades can be reduced to a fraction because of attacks on the local currencies by mainly Western traders.

13. While China was able to avoid such catastrophe, Hong Kong, which only a year earlier had reverted to China, was not so fortunate. We have seen what happened to Hong Kong. Even the world famous free-market economy's currency and stock market were not spared such destructive attacks. The Special Administrative Region authorities had no choice but to intervene to save the economy. And how the Government was condemned for doing so! It seems it is right for attackers to attack but defenders may not defend.

14. From Asia the contagion spread to Russia, and, in the beginning of this year, to Brazil. Clearly what was regional had become global. Malaysia has not stopped urging the international community to undertake urgent measures to check the merciless profiteering by a small group of hedge fund and currency traders. World trade in goods and services creates wealth and incomes for millions of people throughout the world. But currency trading which is said to be 20 times bigger than world trade profit only a few thousand people. Worse still it destroys wealth and impoverish millions of people in the countries attacked. Clearly the present international financial system is inadequate to prevent destruction abuses and tragic consequences. Reforms must therefore be undertaken to ensure the international financial system will be good for everyone.

15. Once again, China' s position during the crisis has been salutary. Its support for the crisis-hit regional economies has demonstrated the Chinese people' s concern for China' s neighbours. Your most notable contribution has been not to devalue your currency. You did not do so throughout last year. We believe that you will not do so this year although you have every reason and right to do so. The price that China has to pay to help East Asia is high and we in Malaysia truly appreciate the stand you have taken.

16. Just as important, to avoid a recurrence of such devastation, China and Malaysia could cooperate for a stronger voice and to work with other East Asian countries to urge the developed nations for a concerted effort to create a new global financial architecture.

17. Malaysia is not under any delusion that the challenge can be readily met and overcome. The road to reform is long. It is winding and uphill. But clearly the opportunity is right before us. We must seize the moment and forge ahead. The benefits are clear, especially for the developing countries. Formalise East Asian Economic Caucus (EAEC)

18. The regional financial and economic turmoil of the past two years has, in my view, amply proven the necessity for an East Asian Economic Caucus, a consultative body where the East Asian countries could gather to deliberate on matters of regional concern. True, for the past few years, China -- for that matter the region as a whole -- did not hear much about the EAEC. To a large extent this was due to attention being drawn to the APEC processes as well as the WTO. Understandably so. And, even in the first year of the crisis, there was no mention of EAEC. In fact, I would venture to say that the crisis-hit economies did not want to bring up the matter as most people feel that it will not please the IMF or the US. It is not the time to displease such entities.

19. At the same time, however, I cannot help but feel that had there been an EAEC comprising the ASEAN countries plus China, Japan and South Korea meeting frequently to discuss issues pertinent to the region, the first recourse for Thailand, Indonesia and South Korea would not have been the IMF but the EAEC. The reason is that these economies are fully aware of the harsh conditions that the IMF would exact from them in return for financial assistance. Events of the past two years have proven so. While it is true that in such critical situations, the IMF and the US cannot be completely out of the picture, nevertheless, a group consisting of members from the region would better understand the problems and needs of the troubled economies, especially the imperative to avoid social disruption that would cause further and faster deterioration of the economy. The IMF intervention in Indonesia is a classic case to be avoided at all costs by future economies in crisis.

20. While the EAEC concept had been realised ' informally' as the ASEAN + 3 in the Informal Heads of State and Government Summit in the last three years and in the Asia-Europe Meetings (ASEM), I personally feel that it is inadequate to meet the pressing needs of the region. In the last few month, the calls for closer cooperation among the East Asian countries are a distinct recognition of this

fact. Most recently, no less a person than Japan' s serving ambassador to South Korea, Kazuo Ogura, commented on the matter. In a most stimulating essay entitled ' Creating a New Asia' , Ambassador Ogura wrote:

" The fact is that we have entered an age in which Asia must act in a unified way and in which Japan must shoulder a large part of the leadership needed to achieve that. One reason has to do with America' s world dominance, the concentration of power in the hands of the United States. To make America' s world leadership truly effective and thus easy for the world' s nations to accept, it is essential for other international forces that can supplement the United States economically and politically to cooperate with it and support its leadership. At present only Western Europe and Asia are economically and strategically capable of taking on this role.

It is necessary for a united Asia, along with Western Europe, to be prepared to check America so as to ensure that its leadership is free from self-righteousness and prejudice and that it does not lapse into protectionism and a narrow egoism. America, for its part, should stop obstructing Asian countries' attempts to get together and exchange views among themselves. " [Japan Echo, Vol.26, No.3, June 1999]

21. Malaysians also remember that China was the first Northeast Asian country to openly declare its support for the EAEC. Japan and South Korea have hesitated, I believe because of pressure from the US. But, as indicated by Ambassador Ogura' s observation, Japan has become more open and receptive to Malaysia' s and ASEAN' s proposal.

22. It might well be that prospective members of the East Asian forum would desire a change of name for the grouping. This should not be a problem. What is important is that we must move the process forward. I would like to take this opportunity to urge China to join Malaysia and other ASEAN countries to consult with Japan and South Korea so that the EAEC or any East Asian body with a different name can be ' formalised' and acknowledged as a regional grouping representing the interests of East Asian countries. There is no doubt that a legitimately recognised EAEC would allow for more consultations on issues vital to the region. With an EAEC, the region' s interests can be better promoted in APEC, ASEM and WTO. @@Cooperation in Science and Technology

23. In identifying the challenges that our economies will encounter in the next century, high on the list is the necessity for cooperation in science and technology. As the cutting edge in global competitiveness, for advances in communications, medicine, energy resources and defence know-how, science and technology calls for a ' smart partnership' between China and Malaysia for the 21st century. Both sides must maximise cooperation in this critical aspect of national and regional development.

24. East Asia' s credibility and testimony as an engine of growth for the region and the global economy in the 21st century can best be attained if during that period the regional states can become as technologically advanced as the

Western nations, or if they can substantially narrow the gap between the two regions. While in the present century, we have clearly been recipients and consumers of Western technology, in the next century, we must collectively determine to become contributors to global technological development. The ASEAN 10 + 3 need to adopt a wholly new mindset of not only becoming strong industrialised nations in the 21st century but also possessing strong scientific and technological attributes. This calls for the overhauling of our respective educational systems. The biggest obstacle to becoming science and technology-strong nations is not in our stars, as Shakespeare would remind us, but in our thinking, in our mindsets. Change them and we will see great changes in scientific and technological advancement by East Asia in the next century. This is not Mission Impossible but Mission Possible.

POLITICAL AND SECURITY CHALLENGES/OPPORTUNITIES

Need for Setting Up Asian Media

25. Another important challenge and opportunity for Malaysia and China in the 21st century is the urgent need to work together with other regional states for the setting up of an Asian Media. This is due to the overwhelming dominance of Western media reporting on regional and global affairs throughout the present century. The major concern among East Asian nations has been the slanted and distorted reporting of global events to Asian audiences and similar reporting of Asia to other parts of the world. This has led to attempts by some Asian media circles to stem the tide by providing alternative sources of newsreporting and dissemination. During the present decade, East Asian English-language newspaper editors have met twice in Kuala Lumpur to discuss the need for informing Asia about Asia by Asia'. Although since 1995, the Bangkok-based Asia Times had sought to do just that, unfortunately, it was shortlived. The newspaper folded two years later. Highly commendable though these initiatives have been, Asia has still a long way to go before it can provide the media balance hoped for. While individual country efforts could be undertaken, yet owing to necessary technology and capital, regional joint efforts would undoubtedly be far more effective. It would be most helpful if China and Malaysia could jointly lead in such a significant endeavour.

Restructuring of United Nations Security Council Vital

26. Reforms in the United Nations are long overdue. If the world body after the end of the Cold War is truly to become the central organisation for promoting world peace and stability as it should be, it must change itself. Unfortunately, with the exception of China and Russia in the United Nations Security Council (UNSC), for a body comprising other nations keen on championing democracy for the developing countries, other permanent members of the UNSC have shown little interest in practising it in that body itself.

27. China and Malaysia share the common desire for an undominated United Nations to be the highest authority on matters affecting the international community. As Asia's only member in the UNSC, China together with Malaysia

can work to promote reforms of the United Nations. Expanding the membership of the UNSC to reflect the interests of developing countries in vastly new circumstances since the United Nations was established more than five decades ago will help create a more equitable political world order. Recently while concurrently serving as president of the United Nations General Assembly as well as chairman of the Working Group on Security Council Reform, Malaysia's Tan Sri Razali Ismail worked hard at advancing the reform process. It is time for China and Malaysia to jointly consider some bold initiatives for changing the United Nations.

Promoting ASEAN Regional Forum (ARF)

28. The ARF should be assiduously promoted for ensuring lasting peace and stability for East Asia and the wider Asia Pacific. While discouraging the formation of alliances in the region, both China and Malaysia are clearly very much in favour of promoting multilateral efforts for regional peace and security. The ARF promotes confidence building and trust which is sorely needed especially among the major-power members of the regional forum.

29. Although some ARF members are critical of the forum for not moving faster in resolving regional security issues, from Malaysia's perspective, given the great diversity among the 21 members, the forum which met just last month for the sixth time, should be credited with successfully providing a venue for the member countries to voice their concerns about regional security. While it still has a long way to go in fulfilling its goals of promoting preventive diplomacy and formulating approaches to conflict resolution, ASEAN members of the forum strongly believe in the efficacy of 'gradualism' for resolving contentious issues among members. Presuming certain countries would be our potential enemy and forming alliances against them is certainly not going to contribute towards lessening tension and ensuring peace for the future.

Building East Asian Community of Common Peace and Prosperity

30. Over the last three decades, the ASEAN Peace or Pax Aseana has successfully brought down the ideological barriers between two divided parts of Southeast Asia for the attainment of One Southeast Asia (ASEAN 10) as the end of the 20th century approaches. This is a truly remarkable achievement for the subregion as for the first time in its long history, Southeast Asia is united under one body and will enter the new century as a single entity.

31. China and Malaysia can also strive together to promote peace in East Asia as a whole based on Pax Aseana. Along with the other regional countries, we can boldly begin to build an East Asian community, which can secure lasting peace for the region in the 21st century. In fact the EAEC would be an ideal instrument for this purpose.

32. Malaysians still remember the inspiring words of President Jiang Zemin, when he participated in the Informal ASEAN + 3 Summit at the end of 1997. Indeed, the desired East Asian community could be created based on the

principles he set forth. President Jiang noted:

" It has become the shared understanding of East Asian countries to maintain regional peace and stability, develop the economy, science and technology, expand mutually beneficial cooperation, and promote common prosperity. East Asian countries are committed to the development of their relations on the basis of mutual respect, treating one another as equals and non- interference in one another' s internal affairs and properly addressing some existing differences through friendly consultations. With political stability, East Asian countries enjoy good relations among themselves. This has provided an important prerequisite for the sustained economic growth of East Asian countries and the development of their economic cooperation. "

33. It should be noted that President Jiang never mention any military alliance or cooperation against anyone, in the region or outside.

The Best Way Forward

34. Exactly a hundred years ago, the 19th century drew to a close and ushered in the dawn of the 20th. East Asia then had nothing to show to the world except that practically the whole region was under colonial rule. British administration, by the end of the century, was firmly established in Malaysia. China at the same time saw the infamous imposition of spheres of influence with the country carved up by the foreign powers possessing extra-territorial rights. Economic development then was mainly aimed at serving the needs of the colonial powers.

35. Now, 100 years later, as the 20th century also draws to a close and we are on the threshold of the 21st century, the situation has changed drastically. Having cast off the yoke of foreign dominance, China, Malaysia and their neighbours rose to achieve unprecedented economic growth and development. But the very last years of this century have shown how vulnerable East Asia can be to external forces bent on exploiting our weaknesses.

36. Therefore, for mutually beneficial bilateral interests and that of the wider East Asia, both China and Malaysia must rise to the challenges mentioned above for the 21st century. Viewed positively as golden opportunities and spurred on by the need to be pro- active at all times, both sides can seek the cooperation of the other regional countries. The successful meeting of these challenges will bring untold benefits for the citizens of Malaysia and China, and for those of other regional states as well. An East Asian community enjoying prosperity and at peace with itself in the new century is indeed a noble endeavour worthy of our cooperative efforts.

37. Inspired particularly by a quarter century of close relations, China and Malaysia can now embark on meeting the challenges of the next 25 years, and beyond. Assisted by our fellow East Asians, I am confident that many of you here today will agree with me that we can further elevate our region in the eyes of the world.

38. I thank you for your kind attention. With your Millennium Clock on the Great Wall counting down the last days of 1999, Malaysians join me in wishing you, our Chinese friends, ' Happy New Century' , ' Happy New Millennium' . I don' t know about you, but I don' t think I can wait for a similar occasion next time around.