

The Europe-Asia Business Summit 2000

The Hilton Hotel, Kuala Lumpur 30 May 2000

"RESHAPING EUROPEAN-SOUTHEAST ASIAN BUSINESS TIES: OPPORTUNITIES AND CHALLENGES"

Nearly half a century has passed since most of Southeast Asia freed themselves from European colonisation. A lot have changed and certainly in terms of business ties, the change has been quite remarkable. While most of the businesses once dominated by Europeans, mainly in the estate, mining and trading, have now been largely transferred to Southeast Asians, the involvement and presence of European businessmen have actually increased manifold. Clearly the independence of the former colonies has created a lot of opportunities, and for those more adventurous European businessmen willing to face challenges, the exploitation of the opportunities has paid off very well. The Europeans are here to stay and their numbers are clearly going to increase.

2. A new feature that has begun to emerge is the increasing foray of Southeast Asian businessmen into Europe. They have bought companies and competed for contracts, sometimes quite successfully. Some complain that things are not what they are claimed to be. But then these are the challenges that they must face.

3. We are clearly seeing a new phase in the relationship between European and Southeast Asian businessmen. But we are going to see even more reshaping of that relationship with the advent of the Information Age, the increasing sophistication in communication technology and the new ideas about the interdependence of nations in a borderless world.

4. We talk glibly of this world without borders, of a globalised world resulting from the ease of communication. It seems that strategic location is now quite meaningless in so far as doing business internationally or even nationally is concerned. One can be in the middle of a desert or a thick tropical forest and one can conduct one's business as easily as being in the company's office over the store or the factory. Being in Europe or in Southeast Asia in order to do business in and between the two regions seems no longer to be crucial.

5. But actually it is still relevant. We are still people, human beings. We have our cultures, our loyalties and our very human feelings. When doing business we cannot ignore these factors. If we do, business between the peoples of the two regions will not last for very long. Indeed there will be breakdowns in relations, bitterness even and in the end business venture however sound may fail.

6. I am told that the currency traders who wreaked havoc in East Asia and the world dealt only in figures on computer screens. They see no humans involved. They cannot foresee or visualise the miseries they can cause. If countries and their governments do not cater to the markets then destroy them. They will have to provide the kind of governments that the market wants. To destroy hundreds of billion of dollars in order to make five or ten billion is acceptable because what

you make is commensurate with the amount you invest. The losses suffered by your victims are quite irrelevant. The screens do not show this, nor do they show the millions, which lost their jobs, forced to beg and to starve even. The screens do not show the relation between the figures and the misery caused. Indeed the media they control make sure that the blame for any misfortunes are placed squarely on the Governments and the people. Their crime was failure to do the right things for the markets to be exploited.

7. This happened because business has now become remote and often involves no contact between the direct and indirect participants. One need only look at the figures on the screen, make some calculations using prepared software and make whatever business decision one wants. Indeed even for the consumers it is possible to buy on the internet a carefully scrutinised item sold by a dot-com company 12,000 miles away without ever speaking to or meeting anyone.

8. Perhaps we will be more efficient and goods and services will be cheaper. Perhaps poor people will now be able to buy what they could not afford before. But what kind of a human society will this be?

9. Perhaps what I am saying reflects the alarmist in me. But whether I am right or wrong we need to really examine these thing called globalisation and the fantastic world of the internet. I think they will affect the way we do business between Southeast Asia and Europe. We want to be efficient but we do want to see the faces and talk to the people we do business with.

10. Information technology, multimedia and the internet has opened up many new opportunities for Europeans to do business in Southeast Asia and to a lesser degree for Southeast Asians to do business in Europe. One of the ways is for European companies advanced in technology to become strategic partners of the Southeast Asians. There are 500 million Southeast Asians, more than there are Europeans. The Southeast Asians are obviously much poorer but like the salesmen who waxed enthusiastic about the sale of footwear when seeing so many people barefooted, the fact that Southeast Asians have such a great need for everything should suggest a good potential market.

11. We believe in what we call smart partnerships. Poor people make poor customers. But when you enrich them they can turn into good customers. When foreign companies began to invest in Malaysia they made good profit. But they also created jobs and many spin-off effects. Malaysians and others in Southeast Asia began to have more spending money. And naturally they became a good market of foreign goods and services. With more investments and increasing prosperity, their imports increased rapidly. The result is a big attractive market where there was virtually none before. The barefooted people of Southeast Asia are now buying shoes, including Bally, Moreschi and other name brands. Clearly 500 million poor people in Southeast Asia can become a very rich market for the Europeans if you help to enrich them. Alternatively, if you impoverished them as someone did recently you lose a good market. So prosper your Southeast Asian partners and they will prosper you. Beggar them and you will be that much poorer.

12. In this I.T. age technology is everything. In Southeast Asia foreign technology is still much needed. We are not that good yet at developing our own technology. Again we are barefooted and in need of shoes. This presents a vast opportunity and challenges for our European partners. They can either sell or share their technologies with us through FDI, through partnerships and joint ventures.

13. But transfers of technology cost us a lot even if there is a willingness to do so. The rich have succeeded in making copying or reverse engineering a crime. It is not that we are prone to criminal acts but when the price difference is too great, it is difficult to stop people from breaching copyright laws. Software for example is intellectual property par excellence. The hardware cost only a minute fraction and copying CD contents is about the easiest thing to do. And so there is a lot of copyright breaches in Southeast Asia.

14. While our countries should try to enforce Intellectual Property Rights laws rigorously, the owners of intellectual property should try to reduce the cost of their property, in order to make copying less profitable.

15. It is like the drug problem. The margin is so big that even death sentence for smuggling has not completely stopped the availability of drugs. Some advocate legalising drug usage so as to reduce the profit margins. But drugs are debilitating to whole nations and availability of cheap legal drugs will only destroy people. Intellectual Property is not a killer. If it is cheap, the attractiveness of copying would be diminished. Sale of the originals would shoot up and in the end the highly intelligent owners would not lose much.

16. The point is technologies should not cost too much. Our European partners should be prepared to transfer technology at nominal cost especially when they are joint venture partners. Remember that technology is not static. With shelf life of only a few months, what you transfer today will no longer be state-of-the-art by the time products are marketed. The partner contributing the technology will still retain their technological advantage.

17. Transfer pricing is another problem faced by host countries in Southeast Asia and elsewhere. We know it is happening. We know we are losing a lot of revenue. But we are always under threat. If we try to collect taxes then foreign investors will go elsewhere. Southeast Asian countries are competing with each other for foreign investments and we have to continuously think of foregoing our rights and revenues in order to beat our friendly competitors. The result is very minimal benefits for us. Yet, as I said just now if you enrich us you will directly and indirectly profit from our becoming a good market for your products and services. If by transfer pricing you impoverish us you must lose to some extent.

18. Apart from technology the IT age has brought the internet which can spawn all kinds of new businesses. Here the only limiting factor is the human imagination and ingenuity. One has only to think of something and the internet will make it possible. Europeans are by nature more curious and innovative than Asians. We Asians are tradition bound and cannot accept doing things in any other way than we are used to. Actually we were at one time more inventive than

the Europeans. After all we discovered explosives, paper etc. But we stopped there. We did not develop the application of explosives for killing more efficiently and for rockets to the moon. We are happy enough to make firecrackers to chase away ghosts, which seem to prefer Asians for haunting.

19. With your tradition of inventiveness and innovativeness Europeans will find thousands of new ways to do business on the internet. Some of these ways would benefit us in Southeast Asia but some may be damaging to us. Let us take Amazon.com as an example. It is now possible for us to buy practically anything directly from their company located in the United States. The item will be delivered to our doors by international courier companies also based in the Amazon.com country of domicile.

20. What is the result? There will be no need for importers, distributors and retailers. Imagine what will happen when they fold up; the people who will be thrown out of work; the loss of corporate and import taxes by the Government, the insurance and freight for local transport companies, the banks' trade financing business.

21. Can we believe that the people who will pay the price for this kind of business through the internet will welcome the Amazon.com type of business?

22. Yet internet-based business, which takes into consideration the interest of everyone can bring about faster economic development to developing countries. We should sit down and think about the ways to do this. Our European friends must appreciate our fears and help formulate systems of doing internet dot.com business which will result in mutual benefits. More than that they must be prepared to work with Southeast Asians so as to ensure that benefits are fairly shared and that a win-win result becomes possible.

23. There are obviously opportunities and challenges galore in a re-shaped European-Southeast Asian business ties. Both sides must accept the need to reshape and to seize the opportunities as well as to face the challenges. Facing the challenges together could make them less difficult and more likely to succeed. As to opportunities you are the best to recognise them and decide what to do.

24. I hope that this Business Summit is not just another summitry. We have been having too many summit talks, which end in nothing.

25. I therefore call on European and Asian entrepreneurs alike to actively broaden your scope, to take the next step so as to forge partnerships and cooperation beneficial to us all in a braver century.