

The 7th Ascope Conference And Exhibition

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"SURVIVING IN THE NEW ECONOMY"

1. Thirty years is a mere blink of the eye in the history, but for ASEAN it is a lifetime. Still ASEAN's achievements in this short period can be matched by few regional organisations. To understand ASEAN, it is important for us to look back and reflect on ASEAN's past struggles, triumphs and tribulations. For more than a century, the countries of South East Asia were colonised and subservient. They were not their own masters and they could do nothing for themselves. Theirs was to produce the raw materials cheaply for the industries of their colonial masters thousands of miles away. But at last they gained their independence. Unable to cope with this new-found freedom they confronted each other. But very quickly wise counsel prevailed and the leaders founded ASEAN as an organisation of neighbours wishing to live in peace with each other. ASEAN was not an economic grouping at first but inevitably it became one. Today ASEAN ignores the political differences between them in the greater interest of economic development through cooperation.

2. We are not yet a union as the European countries are but we have achieved a degree of cohesion seldom experienced by other regional organisation. If not for the currency crisis of 1997 - 98, we could have become an association of economic tigers.

3. We competed with each other of course but we also cooperated and we learnt much from each other's failures and success. We became a force in the formulation of the relations between nations, the trade and exchange of the world, the setting of standards and practices for a better international community. We were able to present the views of the developing countries effectively and so protect their interests.

4. It is ASEAN that gives impetus to the regional infrastructure linkages that support and attract investments. The road that ASEAN countries have travelled spans areas involving energy, trade, security, education, training, formulation of best practices and energy infrastructure.

5. Cooperation in trade and regional security has been the cornerstone of ASEAN's success. As we forge ahead into a more uncertain world, the intrinsic value of such solidarity will be of paramount importance, in order to enable us to deal with other countries and regions from a position of strength. More importantly, such solidarity has resulted in the provision of effective social and economic safety nets in which ASEAN as an entity can depend on.

6. In keeping with developments in the ICT front, we are also positioning the region to be e-ready. The e-ASEAN platform will be the vehicle for ASEAN countries to promote and facilitate ICT development in the region. A two-prong approach is adopted, firstly, investments in ICT will be the new engine for driving economic growth and secondly increasing ICT infrastructure will provide the means for ASEAN people to progress through better education, knowledge and skills.

7. A great deal of our success has been due to trade and regional cooperation. Greater consensus and a policy of non-interference in the internal affairs of member countries has enabled the region to survive the severe test of strained relationships. Instead of interfering in the domestic politics of member countries, we propound the principle of "prosper thy neighbour" to ensure that all the member countries are helped to achieve prosperity through the right kind of economic policy and management.

8. Among the steps taken to build up the economic cooperation of the member state is the agreement to form an ASEAN Free Trade Area. Industrialisation of a country depends much on the size and purchasing power of the domestic market. On the other hand economies of scale contribute much to the viability of an industry, especially the big capital-intensive industries. By combining the markets of the countries of Southeast Asia, a good size market can be created. Industrialisation of the region can then be more feasible. However, there must be some understanding on the distribution of the industries. If all the countries want the same industries then there will be only small national markets for each, not regional markets. The economic community would then fail.

9. Another problem is the hijacking of the market by foreign interest. Seeing the potential of the much enlarged markets, foreign corporations would bid to monopolise it by setting up so-called "national industries" which are owned by them, while the locals will only work for them with little ownership and technology transfer. The products would be cheaper and the quality world class but the small local companies would be locked out and indigenous industrial capacities will not be enhanced.

10. We would be no better off than when we were the raw material producing colonies. The only difference is that we are now the low-cost assemblers of foreign products. Of course we need and we want foreign direct investments but they must be for increasing our exports to other regions and where possible they should give a fair share in the industry to the locals if they are after the lucrative ASEAN regional markets.

11. Globalisation is being pushed aggressively and we should accept that globalisation is the future of this world. However we need to modify the interpretation of globalisation. Presently globalisation is only about free capital flows in and out of countries, about market opening and abolition of discrimination in favour of national companies. In preparation for globalisation the giant banks and industries of the rich are merging and acquiring each other in order to become huge and unbeatable. The tiny local banks and industries would stand no chance of competing with these giants. Once the borders are down these super big foreign giants would move in to take over the local financial and industrial sectors of the small countries.

12. Maybe it is good for business and even good for the consumers. But it will not be for long. National interests such as the well-being of local people, their level of skills, their participation and independence in business and occupation will not only be neglected but may even be restricted. Even governments may lose the power to determine policies and to exercise their powers. They will have to cater to the demands and even take instructions from the powerful foreign banks and companies, which control the economy completely.

13. The ASEAN countries have already experienced one manifestation of globalisation, namely the manipulation of their currencies by international currency traders backed by such institutions as the IMF and the World Bank. Suddenly the East Asian economic tigers became impoverished as their money was devalued through short selling. Not only were they forced to borrow from the IMF but they had to submit the management of their countries' finances and economy to the IMF.

14. Whether by design or not the advice given by the IMF resulted in worsening the economies of these countries. Their businesses began to fail. They were then forced to allow in foreign corporations and financial manipulators who bought the near-bankrupt banks and businesses at fire-sale prices.

15. Despite the obvious failures of the International Financial Regime and the Bretton Woods Institutions like the IMF and the World Bank, no attempt is made to restructure the system. Currencies of developing countries are still exposed to devaluation by the currency traders. Businesses and investments have still to face the uncertainties of fluctuating currency exchange rates and bear the costs of hedging.

16. Globalisation may be inevitable but there is no reason why globalisation should be solely for the purpose of free flows

of capital. The rate of globalisation can be staggered so that the developing countries need not give up completely the protection of their industries yet should be able to access the market of the rich so as to grow their own economies. This is not as unfair as it sounds. Quid pro quo and perfect reciprocity should be between equals. When the players are of unequal strength or capacity, handicap should be allowed the weak in order to compensate for their weakness.

17. Today we see the rich countries taking unilateral action in order to protect their industries. Not only do they impose countervailing duties when there is suspicion of dumping but they now restrict imports simply because their own industries are hurt by cheap imports. This is a retrogressive step as far as globalisation is concerned but the rich are apparently privileged to disregard even agreed convention. If the rich can do this to protect themselves surely the poor should be given the right to protect their puny businesses.

18. In a globalised world should there be only giant banks and giant industries and businesses? We are fast moving into an impersonal society. Big organisations may be efficient and cost-effective, although I don't think this is necessarily so, but big organisations cannot have personal relations. In the e-world, relations between people are already impersonal enough. If added to this we have to deal with people at the fringes who cannot possibly have a full commitment to the business being done, we are going to lose all the friendship and personal attention of business people we deal with in our daily life.

19. Small businesses have not really stifled our growth. If they had we would not be where we are today. Little one-branch banks, Mama and Papa provision shops and restaurants, even back-yard industries have contributed towards our economic growth. We could interact with them personally, bring our problems to them and know that they value your customs.

20. We should have our big, efficient businesses of course but we must ensure that the small ones survive also. If we have to protect them then we should. The globalised world should not be so uniform that no matter where we are in the world, our hotels, restaurants, TV programmes, newspapers and magazines, motor vehicles, banks, indeed everything would be exactly the same. Variety is the spice of life. The spice is fast disappearing as we stay in Hilton Hotels, eat McDonald's hamburger, drive in a Ford car, bank with Citibank and buy our household needs from Carrefour. Already we cannot tell where we are once we enter the lobby of our hotel. They all look the same.

21. Brands have become so important that new makes especially from developing countries find difficulty in entering an established market. The Italians monopolise the brand names so much so that Asians have to invent Italian-sounding names for their products. A developing country can never hope to market its own vernacular brand. And so we are uncompetitive even before we start. Since we must allow foreign brands to enter our markets, our unprotected brand cannot make headway even in our own country.

22. ASEAN countries must learn to be competitive of course. But it is not so easy to play the game of catching up with established people from the developed world. We cannot even depend on producing and exporting raw materials because the terms of trade are not going to favour us. Manufactured imports will always be appreciating in price much faster than the price of our raw materials.

23. So how do we survive in the new economy? We survive by staying together, by defending our market and by extracting the best terms from our dealings with the developed countries. Alone we will fall, but together we stand a chance. Each of us will be offered attractive propositions but we will lose out if we break rank.

24. ASEAN has a market of half a billion people. No doubt their purchasing power is low but we can build that up by helping each other to develop. With this market we can leverage a trade off so that access would be on our terms, on terms that will give us some substantial advantage.

25. The ASEAN market and the development of our economic wealth must be done by ourselves. Trade between ASEAN countries is big but it can be much bigger. We must use our closeness to advantage by maximising the sourcing of our needs from within ASEAN where possible. We must build up our industries based on the larger ASEAN market rather than on national markets. We have to agree on a distribution of industries by siting certain industries in specific countries so that competition would be minimal though not to the extent of a monopoly.

26. The ASEAN electrical and gas grid must be made a reality as quickly as possible. The railway and road networks should also be linked. Travel between ASEAN countries should be facilitated by using a common smart card for travelling or border crossing.

27. The various growth triangles must be seriously developed so as to take advantage of each other's particular strength, i.e. manpower, natural resources, capital and technology.

28. There are clearly a host of things that the ASEAN countries can do in order to survive in the new economy. Certainly in the field of energy as have been pointed out, the power and gas grid linking the ASEAN countries can help us to benefit from easy access to power. And power, cheap power, is essential to make us competitive. To survive in the new economy we have to seek and develop every competitive advantage that each one and together we have.

29. Through forums such as the ASCOPE Conference and Exhibition it is my hope that issues on energy planning will receive due attention and the focus that it warrants.

30. I wish you a successful and meaningful conference.