

## **The Malaysia-Thailand Technology And Business Partnership Dialogue**

Langkawi, Kedah 27 July 2003

I would like to welcome all of you to this Malaysia-Thailand Technology and Business Partnership Dialogue in Langkawi. It is my special privilege to welcome the Honourable Prime Minister of Thailand, Police Lt. Col. Dr. Thaksin Shinawatra. I would also like to congratulate the joint organisers for successfully planning this Dialogue.

2. Thailand and Malaysia have played significant roles in the development of modern day regionalism. This has not been by accident but rather the historical evolution of proximity and neighbourliness. Indeed long before the Western propagated concept of nation-states, the Kingdom of Thailand and the Malay states of the Peninsular had established a long tradition of association and closeness. Many princes of the Malay states were adopted by the King of Siam and educated in Bangkok. But at times there were wars between the Malay states and the Kingdom of Siam. These wars however have not made the Malays and the Thais eternal enemies as has often happened with many other countries. To this day people of Siamese origin live in Malaysia as full citizens and Malays in Thailand do likewise. We war no more. As independent nations we now work closely together as neighbours and as members of ASEAN.

3. But our bilateral relations is much more substantial. Our security forces have worked closely together to keep the border areas safe for travel and for business.

4. Our countries were doing very well economically and with the end of the Cold War we had looked forward to even higher growth and prosperity. Unfortunately there had been far too many attempts to change the way things are done in the belief that the world would be a better and richer place to live in. We have the borderless world, globalisation, the World Trade Organisation, the free deregulated market and a whole lot of new systems, which we have to accept or suffer denunciation by the controlled media of the west and even trade sanctions.

5. Change, any change is disruptive and destabilising. Nothing really works well immediately after a change. There will be bugs to get rid of. But more importantly the unscrupulous and the crooks will find opportunities for a rip-off, for taking advantage of the ignorant and the weak undergoing change. That is what is happening now. The rogue currency traders destroyed the wealth of the emerging economies of East Asia, devaluing their currencies, raping their stock exchange, bankrupting and

distressing businesses and banks, throwing millions out of work, swooping in to seize the weakened corporations and banks and eventually to control indebted nations.

6. Merges and acquisitions, friendly and hostile, have resulted in the emergence of giant corporations and banks and filthy monopolies or oligopolies. And these huge corporations and banks fiddled with their accounts with the aid of the big accounting firms to show profits, which do not exist. And the directors and managers stole the money belonging to these giant corporations even as they demand that the developing countries stop their corruption and become transparent to them.

7. Far from being a place to raise capital, stock markets are regarded as casinos where money, big money, can be made even from the shares of bankrupt companies, companies which have never made profits, which have practically no assets to back the high value of their shares. And then the bubble would burst and the little investors would perish while the rich manipulators of the share market would run away with their ill-gotten gains or get bailed out by their governments. Poor countries and poor people get poorer and poorer, unless they sell their bodies and their souls to the crooks who had created the bubble and helped it to burst.

8. Still the demand is on that the world standardise all business practices that trade, domestic and international, be based on rules, rules invented by the rich to suit them, to enrich them. Failure to comply with the rules would attract direct and indirect punitive action calculated to undermine the economy and destabilise the country.

9. Even strong economies have found these changes and unethical activities so disruptive and damaging that they are unable to recover. But still they are forced to change. What is important is not the well being of peoples and nations. What are important are the new system, free trade, deregulation and the adoption of new regulations etc. The objective is not important. The prescribed means must be adopted even if it kills.

10. As if all these are not enough, the injustices in the treatment of certain people are allowed to fester until bitterness, anger and frustration lead to acts of terror. Instead of tackling the causes of terrorism, the oppression and the injustice, counter terror methods were applied. Massive retaliation as was used to deal with recalcitrant indigenous people when their land was being taken away, their forests destroyed, their animal herds decimated; massive

retaliation has now returned as an instrument of policy. With that the world is further destabilised.

11. Economic recovery has become extremely difficult. It may be necessary to return to our old and tried ways, to the days when nations protect their economies behind tax barriers. But the scenario and the mindset of the world have changed so much that they have to be taken into consideration in planning and executing a strategy for recovery. In any case the weak economies are so vulnerable that unless they consolidate their meagre resources they will not survive and recover.

12. The ASEAN grouping is perhaps the most durable and viable grouping of developing countries in the world. We have not only stuck together through thick and thin but we have actually enlarged our group. Today the group has a population base of 500 million. They are poor but they have the basic skills and organisation to build their economies singly and together.

13. And now we have the growth triangle and bilateral cooperation concept. Borders divide nations based on ethnicity and geographical barriers. But today with the ease of communication both physical and information-wise and the acceptance of many universal values and practices, the borders are not the barriers that they were before. Yet borders still define important differences and comparative advantages, which hold numerous potentials and opportunities while at the same time presenting obstacles to the full exploitation of each other's resources.

14. The border between Thailand and Malaysia is almost a classic example. Thailand has very low cost of living while Malaysia is slightly higher. This does not mean that Thailand or the Thais are poorer or that Malaysians are richer. Malaysia's experience is that cost can be kept low without sacrificing living standards. Thus although Malaysia's per capita is equal to 4,000 US Dollars, the purchasing power of that 4,000 US Dollars is almost as good as 9,000 US Dollars in the U.S. I am sure that although Thailand's per capita is lower in US Dollar terms, it will buy much more goods and services in Thailand than the same number of US Dollar would buy in the USA or for that matter, Malaysia. Certainly the purchasing power of the Thais is not much lower than the Malaysians. And this may enable Thailand to contribute to the lowering of costs in Malaysia while Malaysia can help increase the income and growth of the Thai economy.

15. There are the downside elements of course. An influx of cheap Thai products can push Malaysian products off the shelf and render Malaysian industries non viable. Lower wages for

Thai workers would cause unemployment for Malaysian workers. The purchasing power of Malaysians can push up prices and cause inflation in Thailand. This would undermine the cost advantage of Thailand.

16. The European Union experience is a good guide for cross-border collaboration. The introduction of the Euro has caused a rise in the cost of living in the poorer members of the union. Wages have gone up to compensate for this and as a result the whole of Europe has become a high cost area. Cheap workers cannot be obtained from the European low cost countries any more. They now come from Africa and Asia, bringing with them a number of social problems.

17. If there is going to be greater integration between Malaysia and Thailand it has to be very well planned and carefully executed. It should initially involve the border areas and a step-by-step approach should be adopted. Sudden radical change must be avoided.

18. In the designated border areas, the two countries' comparative advantages should be identified and offered to investors from both countries and to foreigners. Care should be taken that there would be minimal damage to the local businesses and the workers of both countries. There will be some disruption but these could be minimised.

19. It will need skill and a lot of patience. Malaysia has had a lot of experience in the field of integrating the economy.

20. During the British colonial period the Malay states were independent entities, having their own custom and tariff barriers apart from other differences. The British persuaded four Malaysian States to federate, thus creating a single customs area. The other five states opted to remain outside this federation and the principal custom area. As can be imagined customs checks were everywhere and much corruption and smuggling took place. Development was hampered for a whole variety of reasons, not least from lack of revenue collected.

21. But when Malaya achieved independence in 1957, the states agreed to a customs union and most of the taxes were collected by the Central Government and redistributed in an equitable and fair manner. Later when Sabah and Sarawak joined the federation to form Malaysia, there was no difficulty integrating with the states of the Peninsular. Some concessions are still made to preserve state authority but most functions have been integrated.

22. Today even the poorer states have enjoyed good growth because funds from the Central Government are channelled to

them. The richer states do not complain because the virtual removal of state borders creates a much bigger single market, which in turn reduces, costs all round. When there is a shortage of workers, the poorer states are able to make up, and sites of industries can take advantage of the lower cost in the poorer states.

23. Clearly by sacrificing revenue allocation, the rich states have gained and so have the poorer states.

24. The states have retained autonomy in some government function without being totally independent. It is not hard to imagine that a gradual but limited integration in the border areas of Thailand and Malaysia should achieve much of the same results.

25. The European Union is again a good guide. Beginning as collaboration in the steel and coal Industries, the European countries have gone on to the formation of the European Economic Community, the acceptance of a single currency and finally the union of very distinctive European countries into the European Union. It is not yet as unified as the United States of America is unified, but gradually a single entity and identity is emerging. Unified, it will become a powerful state, able to supply practically all its needs, becoming almost a world unto itself as the United States is.

26. It has taken the Europeans more than half a century to reach its present stage of integration. They still have a long way to go. Obviously time and patience are needed.

27. The Asean countries have formed AFTA with the objective of integrating our economies. Like the European Union it will take time to achieve this limited objective, but eventually we can achieve much of what the Europeans have achieved. Because we are not as homogenous as the Europeans we must begin by experimenting with limited integration. While we work towards AFTA we should also experiment with greater integration between neighbouring countries on a bilateral scale. The cooperation between Thailand and Malaysia in the border areas should show the way. If it works, and it is likely to work if there is goodwill and sympathetic consideration by all concerned, then the area designated can be enlarged. Perhaps there can be a degree of integration of the five southern provinces of Thailand and the northern Malaysian states of Kedah, Perlis and Kelantan.

28. But even while this is happening there can be enhanced cooperation between Malaysia and Thailand over and above those identified in AFTA. We already have road and rail connections linking not only Kuala Lumpur and Bangkok but also many places

in between and beyond. All along these land links there are facilities, which can be made use of to enhance the distribution of goods and services offered by both countries.

29. Not all of these things can be accepted or implemented immediately. There are national interests to be considered. And there may be other reasons, which militates against the acceptance of these ideas. Besides while it is easy to make a decision, implementing it is not so easy. That is why leaders talk about the need to cooperate but somehow there is no cooperation and no progress. That is because at the ground level the understanding and the spirit are not there. Understanding is very important. While the decision makers know what they mean and what they want, the implementers may not. And when implementers do not understand they cannot be expected to implement the decision. It is therefore important that decision makers, to a little extent, at least practise a hands- on approach.

30. Over the next two days participants from our two countries, Government as well as private sector will discuss a wide area of bilateral cooperation. They will hear all the arguments for and against the ideas mooted. And they will be making some resolutions and even decisions. No doubt what they resolve or decide will be good for both countries, will help move forward the cooperation between us. But unless they go back and explain to the implementers, the bureaucracy, what the decisions are all about and why they were made and how important they are, there will be practically no movement on the ground. We would have wasted our time.

31. But apart from the bureaucrats, the Government, i.e. the cabinets will also have to decide. I assume that the basic principles and the need for bilateral cooperation have already been approved by the Governments. There should therefore be no objections by the Government. In any case the heads of the Government are here in Langkawi. By their presence they are giving tacit approval to the work to be done to flesh out the principles. But Cabinets cannot be overridden or overlooked even by heads of Government. And Cabinets by their consent to this partnership dialogue are in fact promoting cooperation.

32. There are other bilateral and trilateral border arrangements, which have been identified by the ASEAN countries. Some have made progress but the contributions to ASEAN growth are not yet significant. With this focus on bilateral cooperation between Thailand and Malaysia, it is possible that our cooperation can lay the grounds and provide the example for the other cross-border growth areas.

33. It is important that we make a success of this dialogue and the actions that will follow. Actions speak better than a thousand resolutions. Even if we act and implement a small percentage of the resolutions and decisions, they will be very significant. So let us put aside our suspicions of each other, seek areas of agreements, decide and then go back to implement the needed action. Within a given time frame we must present a report on what we have done.