

**SPEECH BY THE HON TUN DR MAHATHIR BIN MOHAMAD
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“Sustainable Development and Regional Cooperation for East Asia”

I would like to thank the National Committee of the Chinese People's Political Consultative Conference for this invitation to speak on “Sustainable Development and Regional Cooperation for East Asia”.

2. All countries desire to achieve sustainable development but for most it will remain a dream. No matter what Governments do development will not be sustainable, will go up and go down and have a life of its own. Just when a Government is resigned to accept the downturn, the economy would take off and would look as if it would grow forever. Then it would plunge down again.

3. In my 22 years as Prime Minister of Malaysia, we experienced three downturns and three upturns. Whether up or down the performance was never steady. The Government tried to sustain growth but other factors intrude and the growth became irregular.

4. The problem is due to too many factors influencing development. Some are domestic and the Government may be able to influence or control them a little but some are foreign and beyond the power of the Government to do anything to mitigate.

5. All systems of Government are exposed to instability. An authoritarian Government may be saddled with incompetent leaders who cannot be removed. If this happens development may not take place at all. There would be prolonged recession and decline. But on the other hand an authoritarian Government led by competent leaders keen to develop the country is more likely to succeed in maintaining growth over long periods of time. Such an authoritarian Government can actually make quantum leaps and catch up with other countries through steady sustained growth.

6. Non-authoritarian democratic Government invariably face difficulties in achieving sustainable development. Elections help ensure the people, at least the majority of them, get the Government they want. But their choice may not be good for development. Elections in themselves are destabilising. The focus would not be on development but on winning elections. And to win elections populist sentiments are whipped up.

7. When elections are over and the Government is chosen, then instead of doing what would be good for the economic growth of the country, the Government would be busy trying to satisfy popular demands. Such demands may not be good for the economic health of the country. Demands for higher wages, shorter working hours, subsidies for fuel and food are popular but are unlikely to contribute towards economic growth in a competitive world.
8. The Government may not have a good majority and would fear being overthrown. A few members crossing over to the opposition would be enough to bring down the Government. Faced with this possibility, again the Government will try to do the popular thing rather than the right thing for economic growth.
9. In some democratic countries the exercise of freedom by the people can be disruptive and cause instability. Strikes and street demonstrations are not likely to enhance the attractiveness of the country to investors, both local and foreign. Lack of investment would stifle growth. There would be no new jobs created and unemployment rates would go up, accompanied by numerous social problems all of which affect economic performance and development.
10. Of course there are democratic countries which continue to grow despite these problems. But these are old democracies where the people know how democracies work and appreciate the limits on their rights and freedoms. They curb their own freedom. Even then many of these democracies have lost their capacities to compete against the newly industrialising countries.
11. Democracy is of course the best system of Government ever devised by man. But it requires a certain degree of understanding of its workings and a willingness on the part of the people to discipline themselves for it to work. A country hoping to grow economically would do well to adopt democratic practices gradually.
12. Administrative skills can contribute a great deal to development. If the political system delivers good leaders and the administrative machinery is good development can be fairly well sustained. The leaders may have the ideas but delivery is through the administration. Without a good administrative machinery and experienced personnel, the best of ideas and strategies will fail.
13. Some countries are fortunate to have natural resources like petroleum, minerals or fertile land. Minerals, including petroleum may not last forever and cannot be relied to sustain growth and development. Good agricultural land can support the economy but growth would be limited as land become scarce and the population increases.
14. In the end it is good manpower and industrialisation that can help growth and development over long periods. Worldwide it is the industrialised countries

which have shown high and sustained growth. And of course all the developed countries are industrial countries.

15. For sustainable development to take place a degree of sophistication and understanding of the workings of the economy among a majority of the people would be needed. It takes time for people to understand the forces which influence economic performance. And so it takes time for a country to achieve sustainable development.

16. But all the skills in the management of the economy cannot save it from external pressures. Malaysia is a trading nation and collapse of the market for any of its produce invariably affects its growth. When it was the biggest exporter of tin and rubber, growth was like a rollercoaster. Every now and again the market for one or the other or both together would collapse and drag down Malaysia's economy. Then it diversified into palm oil and managed to smoothen the ups and downs a little.

17. Industrialisation has contributed much toward sustaining Malaysia's development. It is seldom that the market for all its products would collapse at the same time. But then other factors affect the economy and sustainable development could not be achieved.

18. In 1997 currency traders attacked and devalued the Malaysian Ringgit. Within a few weeks the economy went down. For nearly a year the downturn continued. Banks and companies were going bankrupt. The Government was facing the prospect of not having enough money to pay salaries. There was negative growth.

19. The plunge could have gone on and on if currency control did not stop the manipulation of the currency by the currency traders.

20. Today all countries, developed and developing are being affected by shortages and big increases in the prices of raw materials. And now comes the 70 dollars a barrel oil. All costs are affected and most businesses are in deep trouble. The cost of development has naturally shot up sky-high.

21. Under these circumstances growth cannot be maintained. For most countries sustainability is out of question. Inflation must take place to some degree for all countries.

22. The oil producers will be very rich but this new wealth in itself will cause inflation. They may still be able to sustain growth or even accelerate it. But an accelerated growth is not sustainable.

23. Regional Cooperation in East Asia had been proposed a long time ago. It was in response to the setting up of powerful regional groupings in Europe and

North America. The original idea was merely for East Asian countries to have a forum to discuss common problems and to take common stands in international trade negotiations.

24. Strangely the US objected to the East Asia Economic Grouping. Why the North American countries could form NAFTA (North American Free Trade Area) and Europeans could form the European Union, while East Asian countries were not to be allowed to talk to each other is a mystery. Some people say that it was racism, but it was not of course. There must have been some other reason.

25. Anyway the objection is not so strong today, although East Asian countries are still nervous and insist on having their dialogue under the ASEAN + 3 label. But East Asia cannot be ignored or hagedomised forever. Its growth potential is too big and this growth will impact on the East Asian countries as much as on the world.

26. ASEAN, the Association of Southeast Asian nations is perhaps the most viable grouping of developing countries in the world. Its rate of growth and the size of its population promise to make it a big market as well as a producer of commodities and industrial goods.

27. The three countries of Northeast Asia are now well established as powerful industrial giants and a huge market for oil and raw material. They will have a tremendous impact on world trade.

28. If we then combine Southeast Asia with Northeast Asia we will have a really strong economic bloc, capable of competing with the European Union or NAFTA.

29. But East Asia is not monolithic. Southeast Asia is in some ways adversely affected by the growth of China. And the growth of China worries its immediate Northeast Asian neighbours. Before there is any real cooperation the fear of Southeast Asia and the mutual suspicions and distrust between the countries of Northeast Asia must be dealt with.

30. Memories of the past stand in the way. But we should by now learn that cooperation is better than confrontation. We really cannot have war among any pair or group among us. And I don't think anyone of us is contemplating war. So why not disregard or put aside the differences and get on with cooperating with each other.

31. In Southeast Asia there are difference galore. Everyone is claiming everyone else's territory. Overlapping maritime claims in Southeast Asia could in the old days have resulted in confrontation and war.

32. But Southeast Asian countries have decided to work together in the ASEAN grouping even as they keep alive their claims. A few have been settled through bilateral negotiation, or by reference to the World Court. But the other claims remain. Still the ASEAN countries manage to discuss common problems together.

33. Northeast Asia can learn from Southeast Asia. It would be fatal to form alliances with countries outside the region. It will only increase tension in the region unnecessarily.

34. It would be a good thing if the East Asian countries can set up a body to adjudicate and to reconcile. We can learn from the Europeans. France and Germany were the bitterest of enemies for more than a century. But it is their reconciliation which initiated and made the European Union possible. For how long are we in Asia to be held back because of past deeds.

35. Apologies have been made but the demand is for something more than that. On the other hand there should not be deliberate provocations which only make things difficult.

36. What is important is to remember that confrontations and wars between East Asian countries will solve nothing. But cooperation can really make East Asia a powerful and positive influence on the affairs of the region and of the world. And as a bonus sustainability of development may become less of a dream for the nations of East Asia.