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(PRIME MINISTER)

EVENT: AT THE OFFICIAL OPENING OF THE ASEAN-EEC INDUSTRIAL
SECTORAL CONFERENCE

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TIME:

Honourable Ministers;
Distinguished guests;
Ladies and gentlemen.

It gives me great pleasure to be here today in conjunction with this first ASEAN-EEC Industrial Sectoral Conference to be held in this region to promote the increased flow of direct investments into sectors of industry that are vital to the development of the region. I would also like to take this opportunity to welcome the Honourable Ministers and members of the private sector from the ASEAN countries and also the officials of the European Commission and business leaders from Europe.

2. It is appropriate that this Conference is held during this period when both developed and developing countries are slowly staggering to their feet, trying to overcome the onslaught of the global recession that has affected all our economies. Needless to say different countries have fought the effects of the recession with varying degrees of success. Some have had to contend with zero or negative growth rates while others have had to be satisfied with very marginal growth. However, if one looks at the performance on a global basis during this dismal period in the economic history of the world, one cannot but notice that there is one region that has maintained growth at a significant level; and that is the ASEAN region.

3. It was said by a leading European personality some time ago that the centre of gravity of economic growth is shifting slowly from the West to the East and especially to the ASEAN region. I feel that there is no better proof of the veracity of this statement than the fact that all the ASEAN countries have generated, are generating and will apparently continue to generate positive growth rates during these difficult times.

4. The European Economic Community represents a regional grouping of nations that has for long exerted considerable economic influence on world trade and investments. Some members of the EEC, have in the past had a role as the colonial masters of some of the ASEAN countries. The EEC has unfortunately also used its collective strength to

deprive ASEAN and other developing nations from a share of the rich markets in Europe, even for manufactured products that are based on the natural resources of these developing nations. I make this statement to you because we need to face this truth if we are to make meetings such as this worthwhile.

5. In the past, members of the EEC, and indeed other developed nations, have been happy to keep the nations of ASEAN and other developing countries merely as suppliers of their requirements of raw commodities, both agricultural and mineral. Some of the ASEAN countries have found to their dismay, as other developing countries have found, that political independence which threw away the shackles of forced developing countries around the world to become intractable; seemingly engrossed with rhetoric and impossible demands without being able to demonstrate the practicality or logic of their stance. Even the regional groupings that they form seem at times devoid of credibility. Indeed some of these groupings have perished. ASEAN is one of the very few to survive and to possess a viable economic and political programme.

6. With this background and an awareness of the near-collapse of the world economic system, we in the ASEAN region are very happy that the European Commission has taken the initiative to organise this sectoral conference as a follow-up to the general investment promotion seminars held earlier in Jakarta and in Brussels. I am sure I echo the emerging economic force of tomorrow - can only be engendered if there is genuine desire for the members of the EEC to assist in the fulfillment of the legitimate aspirations of the peoples and nations of ASEAN.

7. We most certainly do not want to continue to be the plantations and mines for Europe or the rest of the world. We most certainly do not cherish the dubious honour that ASEAN holds as a world leader in the production of various raw commodities whose prices are often dictated by the tender mercies of market manipulators and close-shop trading systems in Europe and other parts of the world. We most certainly do not want to see our peoples breaking their backs to till the soil and mine the land for depleting commodities, only to find that those who work the hardest are those who obtain the least economic benefits for their endeavours. Finally, we most certainly do not want to perpetuate our manufacturing sectors at the lower ranges of the scale of world technology.

8. We are most happy that the European Commission has recognised this and has organised this seminar that will examine the prospects for the manufacture of agricultural machineries, machine tools and processing machines in the ASEAN region. Malaysia would most certainly like to see some of these projects established in this country. However, as a member of ASEAN, we would like to see these projects materialise in any of the ASEAN countries, for

wherever the location of the projects within ASEAN all the ASEAN nations will surely benefit. The beneficial multiplier effects of increased industrialisation and development within any country in the ASEAN region will be felt more closely in future by neighbouring ASEAN countries, than if such projects were established outside this region.

9. I will not allow myself, or my friends from the other ASEAN countries, to be deluded into believing that the manufacturers of these products from the EEC, having profitable operations there, will relocate their projects in the ASEAN region for the sake of friendship, etc. We have stopped believing in altruism long ago. What we in the ASEAN region offer to all industrialists from developed countries, including the EEC, is a region of stability and dynamic growth where you can invest with confidence and make reasonable profits from your investments while complying with the policies and needs of the host countries.

economic battles that Japan is winning in the markets of Europe and in other international markets are being fought not merely from the shores of Japan, but from developing countries such as those in the ASEAN region. Today, for example, Malaysia is the world's third largest exporter of room air-conditioners because of Japanese manufacturing activities in this country; and this is only one example of the fertile grounds for profits that ASEAN has provided for those who are prepared to identify and commit themselves to the long-term economic interests of this region.

11. The need to be competitive in the international market for a whole range of lower, medium and high technology products dictates that companies in the developed countries, be it EEC, USA or Japan, must appreciate fully the laws of comparative advantage, long neglected because of unequal economic strengths and unfair practices engendered through tariff barriers. With the reality of increasing costs of raw materials, transportation, wages, etc. and the equally glaring reality of the need to bring down the prices of manufactured products if companies wish to remain competitive and to meet the demands of consumers, there is a need for manufacturers in the EEC to look towards countries such as those in the ASEAN region as partners for their future growth and profitability.

12. We in the ASEAN region recognise that industrialists from the EEC can make a valuable contribution to the progress of this region and to the welfare of the world in general. We are aware that your contribution in terms of technological know-how, management skills and export market outlets can help members of the ASEAN countries release the stranglehold of the cycle of low income, lack of capital and know-how and continuing low income that entrap most developing nations. Undoubtedly different members in the ASEAN region are in different stages of development in this respect, but collectively it is our aspiration to move into higher levels of technology that we know can be offered by

the West.

13. However, we are equally aware that we offer the Western manufacturers a fertile ground for new investments, growth and profit in one of the fastest growing regions of the world. The market that we form, and potentially it is a rich market, is not there simply for you to exploit. But you may share that market if you are willing to share what you have in abundance i.e. technological know-how, capital, management and marketing skills. And of course a portion of your own huge market must be open to the products that together we will manufacture.

14. All these remarks I address to the EEC collectively and to each and every industrialist in Europe who no doubt wish to expand and increase their activity and profits. But let me also leave these thoughts with the members of the European Commission and to all those in the private sector who have influence in the policy making levels in the governments of the EEC.

15. In the world today there has been a considerable amount of rhetoric on the dangers of protectionism. This subject has become the favourite theme of virtually all recent international gatherings, be it of politicians, economists or businessmen. And frequently those who most blatantly practise protectionism are the most vociferous in the condemnation of this policy.

16. Protectionism is, needless to say, contrary to free trade. When the Bretton Woods agreement was made the participants were the few countries which dominated the world at that time. They advocated free trade because to them it meant they could freely enter the markets of those countries not in a position to export products which can compete with their own. Today the picture has changed. The countries which in the immediate post-war period were mere markets are now the manufacturers and exporters of competitive goods. And these countries, having been persuaded that free trade is the ideal system, want to sell their goods freely in the industrially developed countries. Suddenly free trade takes on a different complexion for the formulators of the Bretton Woods agreement. And so free trade becomes a dirty word to be replaced by a newly salvaged protectionism.

17. It is clear that the practice of protectionism by the co-signatories of the Bretton Woods agreement is morally wrong. But more than that it is harmful. Free trade is still the ideal policy for our interdependent world. We are going to need supplies or expertise or capital from outside. And when we are in that situation our protectionist attitude is not going to help. We are going to do if you find that you are unable to sell for cash what you produce.

18. A lot of people will say it is not going to work. And

I am inclined to think that it will not work as well as free trade. But the choice is not between free trade and counter trade. The choice is between counter trade and no trade. In that situation counter trade will not only look good but it will give some results. And sufficient counter trade will succeed to damage the protectionists to some degree. The socialist countries with their preference for Government to Government deals will obviously find counter trade a good means of unloading the goods that they find so difficult to market. And once a practice becomes established it will be most difficult to dislodge it. The old contacts and symbiosis that existed between the interdependent free enterprise free trade world may disappear for good.

19. However before interdependence disappears it is going to do its share of the damage. The recent fall in oil prices may be a cause for much rejoicing in the industrialised countries. No longer will they be held to ransom by OPEC. No longer will OPEC lord it over the world. But the banks which lent money to some third world countries and oil producers are going to suffer from the collapse of these countries. Already we see Mexico in dire straits dragging down with it not just the lending banks but damaging the economies of the developed countries as well.

20. Clearly then interdependence means interdependence. It does not mean dependence of the weak on the strong. It obviously does not mean dependence of the strong on the weak. It means that the weak and the strong must support each other in good times as in bad. It means that they must depend on each other. If the strong is rich, the weak will have a share of this wealth. Conversely if the strong becomes poor the weak will suffer. The effect of recession in the developed countries on the export revenues of countries like Malaysia is ample proof of this. On the other hand if the weak are helped to become rich, then the strong will become richer from the markets that will open up.

21. I think it is worthwhile for the participants of this world is facing a recession. You also know that some of the developed countries are resorting to the wrong strategy to counter that recession. I hope that knowing this you will use your influence to force a halt to the protectionist inward looking policies that is aggravating an already dangerous situation. Let us all return to sanity and the ways that in the 60's and 70's brought prosperity to the world.

Ladies and Gentlemen,

22. During the next two days I am sure you will be exposed to all the latest developments taking place in the ASEAN region and the benefits that each of these ASEAN countries can offer you. I would like to add only that whatever has developed to date in respect of ASEAN is merely the tip of the iceberg. Whatever you see as potential for today is

only a small fraction of the future potential that this region will offer to manufacturers who have the vision and the faith to see the progress of ASEAN and to take advantage of what we have to offer now.

23. Many have said that the economic concepts within ASEAN are progressing very slowly. We say that we are progressing with "deliberate speed". We want to build a structure, brick by brick, so that the final edifice will stand the test of time. We do not want to act in haste just to satisfy our ego that we have got a great economic grouping, only to regret at leisure when we find the structure falling apart at the slightest stress. I must admit that we have learned a lot from the EEC itself in terms of mistakes to avoid, and paths to pursue or not to pursue, and thus we will continue to "make haste" cautiously. However, I would like to caution all potential investors not to be lulled into a sense of complacency because of the speed the various regional economic activities within ASEAN are progressing. The leaders of the ASEAN nations have committed themselves to policies and measures of economic co-operation designed to mutually lift the entire level of economic development within ASEAN. All those who come in now, will surely benefit from the fruits of our endeavours now and in the future.

Ladies and Gentlemen,

24. May I wish all of you a most profitable session in
Thank you.