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( PRIME MINISTER )

EVENT: THE OPENING OF THE SEVENTEENTH MEETING OF THE ASEAN  
ECONOMIC MINISTERS

VENUE: THE HILTON HOTEL, KUALA LUMPUR

DATE: 07 FEB 1985

TIME:

Your Excellencies;  
Distinguished Delegates;  
Ladies and Gentlemen.

I would like first of all on behalf of the Government and people of Malaysia to extend a warm welcome to all of you to Kuala Lumpur, Malaysia. I sincerely hope that your stay here will be both fruitful and enjoyable.

2. The foundation of cooperation among the countries of ASEAN was laid more than a decade ago by the Bangkok Agreement and the Bali Concord. Today we can be proud that ASEAN has made considerable progress as a regional grouping. Internationally, ASEAN has attained political prominence and credibility. Within the member countries themselves ASEAN consciousness is palpable. Our political cooperation and common stand on many international issues are expected and accepted by the international community and we have gained considerably by this. It is no coincidence that the member countries of ASEAN are politically stable and that the region has consistently registered economic growth well above world average.

3. While ASEAN has made significant achievements in the fields of political, cultural and social cooperation, in the field of economic and trade cooperation the achievement has been mediocre or worse. I would therefore suggest we now reflect on what has been achieved in this field thus far. Since the historic Bali Summit in 1976, there has been a proliferation of committees; all of which were set-up with the common objective of enhancing ASEAN's cooperation programmes. Countless meetings have been convened. The ASEAN Economic Ministers are now meeting for the 17th. time. Undoubtedly all the above inputs were aimed at achieving our ideal of increased trade and economic cooperation. The ASEAN Preferential Trading Arrangement, or PTA, now include an impressive list of more than 18,000 items. Other areas of cooperation such as food, science and technology, energy, health, transport and communication have also been laboriously discussed at meetings after meetings. However, the fact remains that trade among ASEAN countries is still relatively small accounting for only about 20% of ASEAN's

global trade. It is even smaller if the entrepot trade through Singapore is excluded. ASEAN's trade covered by the PTA represent only a fraction of total intra ASEAN trade. This is indeed an unsatisfactory state of affairs.

4. I am aware that similarities in our economic structures have to a certain degree made us potential competitors rather than partners. Furthermore, the difference in the economic conditions in our countries rule out any common-market-type arrangements. But there are many areas where we can achieve some degree of complementarity. I believe that we should now seriously examine the areas for common endeavour. We need a new and more serious commitment to developing our economic cooperation.

Distinguished Delegates,

5. In order to assist us in intensifying further our cooperative efforts we should try to know each other better. Perhaps we should begin by exchanging more information on trade among ourselves. Research and analysis based on this information could possibly identify the items which we can literally exchange. I am not suggesting barter or counter-trade but surely there must be quite a number of items which each one of us needs but which we obtain from outside ASEAN. Yet there are members of ASEAN currently producing these items. The volume that we buy from each other can be counter balanced. That way no one would be the loser, yet total intra-ASEAN trade would gain. The ASEAN Secretariat should consider setting up a data bank covering such areas as export and import items in addition to economic indicators, tariffs, tax structures, non-tariff legislations, etc. The Secretariat could play a pivotal role in this regard and should give intra-ASEAN trade top priority.

Distinguished Delegates,

6. It would not be complete to talk of economic cooperation without touching on commodities. Here I would like to define commodities as being not only naturally produced agricultural and mineral products but also undifferentiated manufactured products. This definition is necessary because the developing countries are being persuaded more and more to buy and put up plants which produce manufactured commodities in excessive quantities. The plant fabricators make a lot of money up front while excessive production ensure that the particular commodity floods the market with the expected results.

7. There is no doubt that commodities will continue to feature as an important component of our economies especially from the view point of contribution to export earnings. In recent years, commodity prices have been adversely affected by structural changes and recessionary conditions in the world economy. As a result commodity

producers faced problems of achieving reasonable returns. Indeed in some instances the more we produce the more we lose. But faced with closure and unemployment and the over whelming need to earn foreign exchange, we have no choice but to continue producing. Our only consolation is that in a recession even the most sophisticated products can suffer the same fate.

8. While effective world-wide commodity agreements are worth pursuing, intra-ASEAN cooperation on commodities should not be ignored. The combined production of certain commodities by the ASEAN countries is such that the voice of ASEAN carry considerable weight in commodity agreements. I am not suggesting the formation of cartels but there is no reason why we should not use our combined strength to influence our trade. The developed world is doing the same when they talk of market forces. Those forces are located in their countries and are controlled by them. ASEAN cooperation in commodities would actually be defensive. Divided we will succumb one by one. United we will stand a reasonable chance.

9. I would like to point out here that although the Japanese, the European and the American Governments seem to be fighting each other over trade, their big manufacturers are actually collaborating with each other. Indeed in a book by Kenichi Ohmae of Mackinsey Business Consultants, which will be published soon, it would appear that the three powerful northern economies have actually divided the international market place among themselves with Southeast Asia going to the Japanese, West Asia and Africa to the Europeans and Central and South America to the United States of America. How do we fight this if we compete against each other excessively in the international market-place?

10. Despite our appeal to the developed consumer countries to work together with the south in the spirit of economic interdependence, it is the efforts of producers themselves which will ultimately determine the fate of our commodities. Whilst the required effort may be too burdensome for any one producer, by grouping together as Producers Association, we can tackle the problem more effectively. It is for this reason that Malaysia attaches a lot of importance to the establishment and strengthening of producers associations like the ANRPC and ATPC. We are glad that ASEAN colleagues have in the spirit of solidarity and mutual benefit joined us in this endeavour. Now that we have established these bodies, there is the even more challenging task of ensuring that these bodies and others like them fulfil their objectives.

Distinguished Delegates,

11. Turning to the international economic arena, it is evident that the world economy has become increasingly interdependent. This has brought both prosperity and

problems for the developing countries, including ASEAN countries. The developed countries are the main sources not only of machinery and equipment, but also of technology and know-how so essential for the economic progress of the ASEAN countries. The developed countries are also important for ASEAN not only in terms of markets for exports, both primary products and manufactures, but also as a source of investment. However, the recent global recession has witnessed developed countries resorting to inward-looking, domestically palatable policies, affecting both market access and investment capital. There has emerged, of late, what I would refer to as 'free traders of convenience' who frantically proclaim themselves as the standard bearers of free trade, except insituations which affect them adversely. There has been a spate of increase in protectionist measures by developed countries. Their unilateral protectionist actions as exemplified by recent trade measures and devising criteria to exclude some of our products from GSP benefits, the concept of 'Graduation', countervailing duties, and the more recent stringent trade legislations are all manifestations of the lack of political will of developed countries to honour their commitments to developing countries whose markets and resources they continue to exploit.

12. An area that we have missed before is the invisible trade. Freight and insurance, travel and education abroad have either negated or worsened our trade balance. The 40.40.20 ratio in freight, for example, has been ignored and we find great difficulty in securing landing rights.

13. We do not believe in cartels and ganging up but if the ASEAN countries fail to coordinate our approach in dealing with the developed countries, we will never be able to redress the imbalances. There is no need for me to stress the effect of these imbalances on our domestic development.

14. ASEAN's economic relations with its dialogue partners constitute an important element of ASEAN economic cooperation. In fact, the ASEAN region represents a significant and growing export market for our dialogue partners and is among their fastest growing markets. While ASEAN's cooperative efforts with third countries and international organisations have led to some progress in certain areas, meaningful results have yet to be achieved in others. In the key area of improved market access for ASEAN's exports for example, the dialogue partners have not responded positively so far. This is most regrettable and partly may be attributed to ASEAN's inability to harness its strength and act in concert to enhance our trading interest. Our six ASEAN nations presently represent a market of well over US\$70 billion. This makes our purchasing power about half of Japan's or equal to that of Canada's. The region's population of about 270 million with a progressively increasing per capita income provides a ready market for all kinds of products and services. ASEAN's imports grew faster

than most other group of countries in the world. The increasing number of trade missions from the developed countries to the ASEAN region is a reflection of the fact that the centre of gravity of global economic activities is now shifting from the Atlantic to the Pacific. ASEAN is considered the bright spot in the turbulent world of today. Even in a recession we have largely managed to maintain economic growth. It is time that ASEAN undertakes a review of her dialogue programmes. Our dialogue partners should be made to realise that it is in their enlightened selfinterest to establish a mutually beneficial relationship and take more seriously the dialogue with ASEAN countries.

Distinguished Delegates,

15. In our efforts to promote economic cooperation amongst ASEAN countries, we should also harness the vital inputs of our private sectors. Their contributions in translating cooperative ideals into tangible results are imperative. Concerted efforts by the ASEAN private sectors are essential for undertaking measures to enhance intra-ASEAN trade. The private sector should act as an important linkage to supplement and complement the efforts of the Government in attracting the flow of capital and investment. New efforts must be made by the private sector with the ASEAN Chambers of Commerce and Industry as the spearhead. They should not be too discouraged by their lack of progress or their frustrations in dealing with six different bureaucracies. The Governments for their part should be more accomodating and should put ASEAN interest in the forefront. The success of ASEAN will mean the prosperity and well-being of each member country. If we fail to support each other, we will end up making the rich developed countries richer.

16. That ASEAN is a tangible and successful grouping of nations is acknowledged by all. As is usual this success is not welcome by some. Of late there has been oblique attempts to sour relations between ASEAN countries and, in particular, their leaders.

17. We have been particularly careful never to publicly criticise each other. We are not perfect and before we throw stones, we usually look at our own glass houses and decide otherwise. This has enabled us to get along with each other. But others are now coming up with dubious quotes which are calculated to sour relations between ASEAN partners.

18. We must resist the temptation to react. Outsiders do not have the interest of ASEAN at heart. Indeed they would like to destroy it. Whether they succeed or not depends upon us. If we get uptight then we have only ourselves to blame.

Distinguished Delegates,

19. It is my earnest hope that this Meeting will succeed in its endeavours and provide valuable inputs for the strengthening of ASEAN economic cooperation. With these words, I hereby declare this 17th ASEAN Economic Ministers Meeting officially open.