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AND THE WORLD ECONOMY: CHALLENGE OF CHANGE"

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TIME:

Excellencies;

Distinguished Participants;

Ladies and Gentlemen,

I would like to thank the organisers for inviting me to address this crucial conference. It is crucial because we meet at a time when the international situation is more fluid than at any time since the Second World War.

2. Despite the Age of Confrontation and Cold War being behind us we still do not seem to know where we are going. Our future history is very much in the making with no clear indication as to the direction it will take.

3. At this crucial turning point, the course that the states of Asean must take cannot just be to let others shape that history. We cannot be mere objects of international relations. With the "East" in turmoil, the "South" in continuing crisis, and the "West" on an economic collision course, an active Asean can contribute positively. It is incumbent upon us to play a productive role in the making of the new international economic order.

4. This is a time, therefore, for the most creative Asean initiatives for a productive peace. Our joint collaboration must go beyond our Asean sub-region, beyond the region of Southeast Asia, beyond East Asia, even beyond the Pacific region.

5. We must of course be aware of our limited weight in the international arena. There is every reason for humility. But the corruption arising from a sense of powerlessness is as bad as the corruption of power.

6. If we do not in our own modest ways try to shape history, then we must not bemoan our fate later.

7. In the last two generations, too much of the creative energies and resources of the world were diverted from possible cooperation to deadly East West confrontation, from the task of enhancing the prosperity of the world's peoples to the pursuit of national security imperatives. Too much

of the world's resources were diverted to conflict, diverted away from the demands of development.

8. We have seen the spread of democracy and democratic tendencies, most spectacularly, of course, in Eastern Europe. Democracy may mean freedom from political oppression but not necessarily from economic and developmental oppression. The proponents of democracy are not averse to international dictatorship.

9. The process of turning battlefields into market-places is continuing apace.

10. Throughout the world, most dramatically of course in what was once called the Socialist Bloc, we see a swing towards the free-enterprise system. The collapse of Communism as an ideology and the command economy as an economic method and the turn towards the market system, can contribute towards higher productivity nationally and greater prosperity for the entire global economic system.

11. But at the same time, we would be extremely foolish not to be fully aware of the negative side of the equation.

12. There is today an economic recession in the United States, Canada, Australia, New Zealand and the United Kingdom notwithstanding. Japan and Germany have slowed down. In the 1960s, the OECD countries, on which so much of Asean's economic performance is hinged, grew by an annual average of 5 per cent. In the 1970s, they grew on average by 3.1 per cent a year; in the 1980s by an average of 2.9 per cent. Whereas there is every hope that the recession economies will not be down for long, we would be foolish to predicate our future on a vigorous and fast growing world economy.

13. In the 1990s we must also expect international trade to grow at a less than robust rate. This again will be no surprise given that in the 1960s world trade grew annually by an average of 8 per cent, in the 1970s by 6 per cent, in the 1980s by 4.4 per cent.

14. A less than vigorous trade growth regime in the foreseeable future should also be no great surprise given the rise of protectionism and managed trade, the movement towards trade blocs, and the general erosion of the global trading system. We can only hope that GATT will not in the end stand for a general agreement to talk and talk and no more than that.

15. Real commodity prices will continue their downward trend and will offer no relief to heavily-indebted developing countries that are still dependent on the exports of agricultural and other raw materials. The global debt crisis too will not go away.

16. There is a danger of a global credit squeeze arising out of the diversion of German financial flows to the eastern part of Germany and Eastern Europe, the reduced surpluses of Japan, the sustained high deficits of the United States, the problems of the banking and financial system in Japan, the United States and elsewhere, and the investment of Japanese surpluses increasingly in their own domestic development.

17. There are a host of problems for the world arising out of the structural weaknesses of the world's biggest economy and biggest debtor nation, the United States. We now live in a world where the developing countries are deprived of the past leverage of "defection to the other side". There is the sole American giant, with immense problems at home and no longer driven by the imperatives of the Cold War abroad. We must surely expect a more demanding United States, desirous of greater "help" and "adjustment" from others.

18. We see a situation today of a dramatic rise in the political, diplomatic and military clout of the US and a severe erosion in its economic position and welfare. We can expect the application of that enhanced political, diplomatic and military clout to shore up the economic position and to enhance the US economic welfare. The increased pressures will be political and social as well as economic. Military adventures cannot be excluded.

19. We cannot rightly expect the clash of the economic giants -- the United States, Japan and the European Community -- to attenuate. We should expect it to escalate, making it incumbent upon us to make sure that we are not squeezed in the middle, and caught in the cross-fire.

20. We should take into our calculations the possibility of greater Eurocentricism, and a greater EC to include the Eastern European countries. We must expect continuing and serious instability in the previously tightly controlled states of the Soviet Socialist Republics and Eastern Europe.

Ladies and gentlemen,

21. This rough balance sheet of longer-term positive and negative fundamentals and uncertainties reminds me of the very first paragraph of Charles Dickens' historic novel, "A Tale of Two Cities". Let me quote the entire paragraph, written in one long sentence, to describe the Europe of 1775. Dickens wrote of that period:

"It was the best of times, it was the worst of times,  
it was the age of wisdom, it was the age of foolishness,  
it was the epoch of belief, it was the epoch of incredulity,  
it was the season of Light, it was the season of Darkness,  
it was the spring of hope, it was the winter of despair,  
we had everything before us, we had nothing before us,  
we were all going direct to Heaven, we were all going  
direct the other way -- in short, the period was so far

like the present, that some of its noisiest authorities insisted on its being received, for good or evil, in the superlative degree of comparison only".

22. I believe that what Dickens wrote of the Europe of 1775 is superlatively apt in describing our world of the early 1990s. It is indeed the best of times and the worst of times. It is indeed the age of wisdom and the age of foolishness. It is indeed the epoch of belief and the epoch of incredulity. It is indeed the season of Light and the season of Darkness. It is indeed the spring of hope and the winter of despair. We do indeed have everything before us and nothing before us.

23. In the case of Europe after 1775, there was an era of turmoil and devastation, culminating in the Napoleonic Wars. Order was only restored with the Congress of Vienna of 1814-15.

24. Our world today cannot afford two generations of turmoil. And Asean must contribute to the collaborative peace, through balanced economic development worldwide.

25. Globally there is a chance for a more effective and productive United Nations. Asean should act in concert to ensure that the United Nations develops into an even-handed global authority, the conscience of all mankind and protector of the weak against the aggression of the strong. We should work together to make sure that the United Nations is re-invigorated and will serve to deny Thucydide's Conclusion: "that in the affairs of states, the strong will demand what they will and the weak must yield what they must".

26. The Asean countries and many developing nations which are so dependent on an open trading system -- much more dependent than any of the great trading nations such as Japan, Germany and the United States -- must make the GATT system work. The tide of protectionism must be halted and rolled back. The movement towards mercantilist, inward-looking, and "the rest of the world be damned" trading blocs must be reversed. The trend towards managed trade, bilateralism and unilateralism, must be stopped dead in its tracks. Asean must help to secure the open trading system that will save not just ourselves but the very nations which are busy erecting trade barriers.

27. However before Asean can hope to influence the economic course of the world, we must strengthen Asean itself, all the three parts of Asean. We must strengthen the Asean Peace, the Asean Concert and the web of economic and social relationship between us in the Asean Community.

28. First, the Pax ASEANA which we have successfully constructed since the mid-Sixties must not be taken for granted. It has been one of the great successes of the post-war world, the more remarkable because it has been a

Pax without an Imperium. The statesmanship of the founding fathers will be prominently recorded in the history of the region. The leadership of Asean will be required in the days ahead to strengthen the Asean Peace. We would be very foolish to take for granted the structure of understanding, mutual respect, trust and goodwill that has been established. The Asean Peace must be an active peace, which must be in constant upkeep, and in perpetual construction.

29. Second, the Asean Concert, our joining of hands to deal with the outside world. The wide agenda for Asean initiative cannot be actualised without a substantial strengthening of the Asean Concert in the days ahead, when the "Cambodia cement" and the defensive anti-Communist impulse will recede further into history.

30. Third, we must indeed launch bold and innovative initiatives with regard to enhancing the level of economic cooperation between us. We should aspire to achieve a level of performance on the economic front that we have secured with regard to our political and diplomatic cooperation.

31. There is now a clear Asean consensus on the strengthening of the Asean Secretariat, to enable it to respond to the challenge of internal cooperation and the challenges of external action in the 1990s. We must quickly turn consensus into concrete reality.

32. Much will have to be done at the Fourth Asean Summit that will be held in Singapore. And much will need to be accomplished in the run-up to the Summit. With regard to this, I believe it is time for Asean to consider a new element, an Asean Informal Meeting of Heads of State which should meet regularly in a relaxed ambience between the formal Summit Meetings. Such an informal gathering, away from the cameras and the pressure to produce some dramatic outcome, held for the purpose of merely exchanging views and perspectives and keeping in close touch, would contribute to the process of ensuring fullest consultation between us. This should be over and above the bilateral meetings. I believe that it cannot be stressed enough that we of Asean at all levels must be engaged in a constant process of candid consultation.

Ladies and Gentlemen,

33. Let me now turn to a broader geographical canvas: what Asean should now be actively considering with regard to Southeast Asia. International relations in Southeast Asia has moved from a situation of warm war to cold war. We have now progressed to a cold peace. It is time to move our relationship towards a cooperative peace.

34. The time has come for Asean to prepare for the making of a new Southeast Asia. Asean must move forward with the creative and comprehensive engagement of the other states of the region.

35. Southeast Asia should no longer be at sixes and threes. The mountain of distrust and misunderstanding must be removed. A divided region is not in the interest of any regional state. It is in the interest of all of Southeast Asia that we secure a system composed of states which are economically prosperous, socially dynamic, strategically secure, domestically at peace and politically unpolarised. The Asean states should act now to hammer out the acceptable modalities and the most appropriate mechanisms.

36. In 1967, we together launched the first act of regional reconciliation. The outcome was Asean.

37. We must now stand ready to launch the second phase of regional reconciliation, to achieve the objective Asean set out from the moment of its birth: the creation of a Southeast Asian system of states that are at peace with each other, involved in a dynamic and vigorous economic and political relationship of mutual respect and mutually beneficial cooperation.

38. Asean now already has the Bali "Treaty of Amity and Cooperation in Southeast Asia" which sets out the fundamental precepts for political, economic, social, technical and scientific cooperation between us. Papua New Guinea, amongst the non-members of Asean, has acceded to the Treaty. Asean should now welcome any initiative taken by any of the regional states to accede to this admirable and comprehensive treaty.

39. The idea of inviting initially the foreign ministers of Vietnam, Laos and Myanmar to a dialogue with the Asean Foreign Ministers, and the Heads of Government of these countries to a dialogue at the next Asean Summit has also been put forward. These are suggestions that should be given serious study. In the meantime, let me inform you that the Government of Malaysia encourages the fullest private sector participation in the economies of the non-Asean states of Southeast Asia. Southeast Asia is now no longer a battleground. Let us proceed as fast as we possibly can to turn it into one prosperous marketplace.

Ladies and Gentlemen,

40. Let me now turn to the proposal for an East Asia Economic Group (EAEG).

41. In the first place let me emphasise that the Group is not intended to be a trade bloc. Regional economic groupings are acknowledged as legitimate means for neighbours in a region to improve their economic well-being. Accordingly preferential treatment and the removal of trade barriers within a group are legitimate and proper.

42. But a grouping becomes a trade bloc when the member states are no longer allowed to negotiate trading terms on

their own with nations outside the group. The European Community claims that it is not a trade bloc but the fact is that even now import quotas and preferential treatment are based not on the requirement of individual member countries but on the EC as a whole. In 1992 this will be formalised and there is justifiable fear that trade between the EC countries will be classified as domestic with all that that implies and quotas will be fixed for imports from outside of Europe, quotas designed to protect the industries and agricultural produce of Europe as a whole.

43. The United States for its part has entered into a free trade union with Canada and will shortly do the same with Mexico. The United States declared objective is to make the whole of North, Central and South America a single economic grouping. The degree of exclusivity in trade that will result from this grouping is as yet a matter of speculation but such a grouping cannot but be protectionist to a degree.

44. The countries of Europe and America have a reputation for economic arm twisting, though not always by Governments. Thus "human rights" records, trade unionism, exchange rates, media treatment, environment protection, "democratic practices", quality and health standards and a host of other issues are used for the suppression of the economic growth of potential competitors. The action taken against the so-called NICs are illustrative of this. Alone and bereft of friendly support, these countries are not in a position to even protest. Indeed open protest might invite even more severe punitive pressures.

45. It is paradoxical that even as the centrally planned Eastern bloc economies espouse the free market systems as a solution to their economic problem, the erstwhile free traders of the west are opting for a controlled international marketing system. But the fact is that with the formation of the European Union and the American free trading zone, that is what is happening.

46. The question is what do we in this region do to rescue the free trading system of the world? Do we refuse to acknowledge the gloomy facts? Do we hush up things? Do we look the other way? Do we accept them without a whimper? Or do we confront them; the reality of those trade blocs, that is, not the nations.

47. Two wrongs do not make one right. We in East Asia must not form a trading bloc of our own. But we know that alone and singly we cannot stop the slide towards controlled and regulated international commerce; which in fact is no different from the command economies of the socialist soviets, only the scale is international; which is obviously going to replace free trade if the EC and the American Union are allowed to rewrite the rules. To stop the slide and to preserve free trade the countries of East Asia, which contain some of the most dynamic economies in the world today, must

at least speak with one voice.

48. It will be impossible to do this unless we can consult each other, unless we can have some form of grouping which is recognisable. A free trade arrangement between us is impossible at this point in time. There is too much disparity in our development. An Economic Community after the EC pattern is far too structured and is well nigh impossible to achieve. But a formal grouping intended to facilitate consultation and consensus prior to negotiating with Europe or America or in multilateral fora such as the GATT is not too far-fetched an idea. It is also not against the GATT principle, nor will it run contrary to membership in such organisations as the APEC, in which the United States and Canada are members while having an economic union with each other.

49. Because of its market size alone, the EAEG will be listened to. But it will also have the knowledge, the technology and the skills which can become bargaining counters in any trade off with the trading blocs of Europe and America.

50. Membership of the Group by developing countries should serve to remind the other members of their responsibility to the developing world. A concerted effort can then be made to boost the economic growth of the weaker members, and indeed to help the developing world generally.

51. The mere existence of the group, backed as it is by the massive combined economic strength of the members should help to retard the slide towards trade blocs and protectionism. At the same time the group can foster better trade and development within the group. Given a dedication towards mutual help, the Group can survive without the constrictive structuring of a formal Economic Community.

52. After the initial negativism following the mootings of the Group, it is heartening that lately there have been more positive pronouncements from Europe and America. The members of Asean now understand the EAEG concept and support it. What remains is for us to formally propose the concept to the East Asian nations outside of Asean. This is a task for all Asean nations.

53. I am sure that once it is understood that the EAEG is principally concerned with trade and the maintenance of free trade, that it does not compete with the Asean group, that it is GATT and even APEC compatible, the fears regarding its formation and its role will disappear. World trade would benefit from EAEG rather than be stifled by it.

Ladies and Gentlemen,

54. As I said at the beginning, the peace dividend that should come with the ending of the East-West confrontation is not with us yet. Indeed the situation is very fluid, with signs of recession everywhere and new centres of ten-

sion and instability.

55. In espousing democracy and free enterprise, nations are finding that it is easier to declare the intention, or to overthrow authoritarian regimes even, than to obtain tangible benefits from democratic freedom and the market economy.

56. Peoples power is fine. It can remove dictators and corrupt Governments. But power corrupts and peoples power can be no less corrupting. Once it is realised that political power can be achieved through getting people on to the streets, the potentially corrupt can also resort to this weapon for their own ends. Indeed, the overthrow of the corrupt often results in the installation of another leader who is or becomes equally corrupt. It is easier to overthrow allegedly corrupt Government than to materialise a Government that can rehabilitate the nation.

57. Democracy must not be an end in itself. It must remain a means to an end -- the installation of good Governments in the true sense of the word. Making a religion of democracy, accepting everything that is done in its name unquestioningly will only destroy the faith in the efficacy of the system. Forcing it down the throat of people who are not ready for it will not do any good either.

58. To succeed, democracy has to become a culture of the people. Its shortcomings must be recognised and accepted and circumspection must be applied to it as with every system of Government.

59. The end of the Cold War and East-West confrontation and the universal acceptance of the liberal democracy concept are to be welcomed but the dividend can only come if we appreciate the need to organise and arrange the system that will replace confrontation. There will be no dividend if in the affairs of nations the Thucydide's Conclusion still apply: "that the strong will demand what they will and the weak must yield what they must".