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AND BEYOND: THE CASE FOR EXPANDED ASEAN-BASED REGIONAL COOPERATION

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Distinguished members of the Council,
Ladies and Gentlemen,

I thank you for your kind invitation to me to address your distinguished body. The Council of Foreign Relations has established a reputation of being a leading and influential forum for fostering understanding and cooperation between the United States and other members of the international community of nations. Your role is even more crucial today than ever before. The radical and complex changes that are taking place and the dominant role that the United States is called upon to play require that the United States fully understand the imperatives of the policies and interests of other states, large or small.

2. I am, therefore, pleased to have this opportunity to share with you some thoughts on "ASEAN in the 1990s and Beyond: The Case for Expanded ASEAN-based Regional Cooperation."

Ladies and gentlemen,

3. The world has undergone truly radical changes in recent years. The collapse of the Communist system and the ending of the great East-West divide led many to believe that we are all set to reap the peace dividend. But the Gulf War and the attempt of the hard-liners in Russia to stage a coup should remind us that dividends are not there for the picking but must be worked at.

4. There is a great need to understand the aspirations and sentiments of national, ethnic, social and political groups and the problems they must face when political changes take place. Above all there is a need to appreciate that different situations call for different remedies. The idea that there is one solution to all problems, and that what serves one situation should serve all situations must be discarded promptly if there is going to be any dividend at all from the peace we have apparently achieved.

5. Democracy and the free market have become the sole ideology and system for the world. Anything other than this is taboo. There is no real disagreement about accepting democracy or the free market. But while everyone agrees on the

principle, the details are another matter. Democracy lends itself to many interpretations and reinterpretations. The advocates and practitioners of democracy in the West are wont to add new criteria for democracy which the newer practitioners are not quite ready for. But the new converts are not to be allowed to differ or defer.

6. Thus originally democracy simply meant majority rule. Everyone accepts that. But then minorities must have rights. This too is fairly reasonable. But now minority rights and even individual rights are to be regarded as more important than the rights of the majority. More than this, individuals from the senior democratic countries apparently must be accorded the right to break the law of other allegedly less democratic countries.

7. When Mr. Gorbachev started talking about perestroika and glasnost and indicated his desire to reduce tension between East and West there was a great deal of scepticism. But his subsequent action in releasing the Eastern European countries from Soviet military hegemony not only brought undisguised jubilation in the West but also among those countries which were the targets of Communist subversion.

8. Today we all know that the process that Gorbachev started was not some Communist trick but an earnest and total rejection of the Communist ideology. We all have reason to celebrate, the West, the non-Communist world and the peoples who had long been oppressed by Communist rule.

9. In South East Asia, the countries which comprise ASEAN are glad to welcome the end of the Cold War. Without exception the six countries had all felt the full brunt of Communist subversion and insurgency. It was only with great difficulty and debilitating cost that they all managed to overcome their insurgents even while they develop democratic systems with free market economies.

10. With the end of the Cold War they fully expect to grow and prosper in a period of political stability.

11. The countries of ASEAN all rejected the kind of extreme and restrictive nationalism which elsewhere had hampered the development of newly-independent nations. Instead they opted to trade freely with the rest of the world and indeed to welcome foreign involvement in their economies. Where others restrict foreign investments, the ASEAN countries provided incentives to attract them.

12. They have a right to think that a world free of East West confrontation would boost their trade and contribute towards faster economic development.

13. But what they see happening is not entirely what they had expected. They see doors being slowly closed. They see funds being diverted away from them. They feel pressures being applied against them not by Communist enemies but by

democratic friends. They see, in fact, deliberate attempts being made by their perceived friends to stifle their growth and keep them forever at the state of developing nations.

14. The ASEAN countries are democratic. As colonies of the Western powers they were only familiar with the autocratic system of their colonial masters. Yet when they achieved independence they were expected to practise a democratic system of government with all the sophistications of the erstwhile democracies of the West. Shortcomings were promptly criticised as were failures to keep up with the latest in democratic concepts.

15. With populations which do not understand the workings and the limits of democratic freedom, with ethnic and regional divisions, with religious sensitivities, it is a wonder that any of the developing democracies survived at all.

But a few did survive.

16. Those that survive should really be congratulated and given an occasional pat on the back by the established democracies. Despite their clumsiness with the democratic system some have not only survived but have actually developed economically. But instead they were harrassed all the way.

17. They were harrassed before the end of the Cold War. They are harrassed even more now. It may sound like an exaggeration but for a developing country even the smallest obstacle is sufficient to retard development.

18. Today human rights, labour rights, extractions of timber, eating rice, minority rights, individual rights, death penalties, intellectual property, export processing zones and incentives and a host of other subjects are used to curb the growth of developing countries.

19. At one time countries which industrialised rapidly were classified as Newly Industrialising Countries. These countries were very happy to be so categorised until they found that being so classified involved withdrawal of trading privileges and impositions of measures such as currency revaluation, upward revision of workers' pay and scrutinising labour practices and human rights records, all of which were calculated to retard the process towards developed nation status.

20. Only Japan got through, having caught the developed nations of the West napping. Clearly no other Eastern nations are going to be allowed to achieve developed status.

21. The four Asian NICs, in a way, caught the West unware also. Now apparently any eastern nation must be stopped even earlier. And so the ASEAN nations like Thailand, Indonesia and Malaysia are already suspect although their per capita, one of the major criteria for classification as NIC, are less than half of the present NICs. Threats of re-

duction of loans, withdrawals of GSP rights, countervailing duties, reduction of quotas are already being heard. It would not be long before those threats are translated into deeds. The ASEAN countries, with the exception of Singapore, stand a real chance of becoming permanently developing countries.

22. The countries of South East Asia need trade much more than they need aid. They have all developed by utilising to the full the free international trading system. Their competitive advantage is their skilled and highly trainable labour force. With low cost of living and a low level of expectations, wages need not match those of developed countries for equivalent work.

23. Freedom to unionise and to strike may be the inalienable right of workers. But when jobs are scarce and strikes may reduce investments and make jobs even scarcer, it is questionable whether the exercise of the traditional rights of workers which reduces job opportunities will bring them a better life.

24. Yet workers in the developing countries of East and South East Asia are being instigated to demand for more pay and to disrupt production. Are their enthusiastic supporters in the developed countries trying to help them or to reduce the competitiveness of their products against the products of Western workers?

25. But as if this attempt to reduce the competitiveness of our exports is not enough, a whole series of other measures have been taken to stifle growth in the dynamic nations of South East and East Asia.

26. The freeing of the Eastern European countries from Russian hegemony is a welcome result of the collapse of Communism. But it is clear that the Europeans and the Americans are much more sympathetic to the plight of their European kins and are ready to channel funds for their economic rehabilitations.

27. Of course we are assured that the countries of the South will continue to get funds. However we all know that there is only so much money available and if some are diverted elsewhere then there will be less for those who before were the sole recipients. And because we know this we have a right to suspect that the assurances are hollow.

28. Then there is the European Community. Slowly but inexorably all the countries of Europe are being drawn into this exclusive club. There is every indication that the former COMECON countries will join the club as well.

29. By itself the enlarged European Community will be sufficiently big to be totally independent, economy-wise from the rest of the world. They would have all the raw materials and all the manufacturing technology to sustain their

economic growth and well-being. With no threat of an East West War they will need no allies outside their community. A Fortress Europe is not a far-fetched idea. It is a distinct possibility. Asians may be kept out of the European market.

30. Perhaps this is too pessimistic a picture. But in business we always have a worse case scenario. And if ASEAN nations think of this scenario, they cannot be condemned for being alarmist. After all when we predict a worse case scenario we know some part of it is likely to come true. And even some part can do a lot of damage. Certainly a Fortress Europe will damage the growth rate of ASEAN nations.

31. Then we have the NAFTA and the germ of an idea for an Enterprise of the Americas. We are told that NAFTA will not be a trade bloc and that the members would continue to trade with the rest of the world.

32. The United States is the biggest single market in the world. Malaysia's trade with the United States makes up 18 percent of its total trade. While some Malaysian manufacturers enjoy GSP status, others compete unaided in the United States' markets. On the other hand some products, such as palm oil, are actually discriminated against. The other ASEAN countries have nearly the same trade relations with the United States.

33. What NAFTA does is to let Mexico enjoy unrestricted and tax-free access into the United States. Mexico is a developing country with a huge low-cost labour force. Mexican tax-free goods should enjoy competitive advantage against similar goods coming from distant South East Asian countries. Attracted by this advantage, American manufacturers have already invested in Mexico. Soon the Japanese and the Taiwanese will be investing in all kinds of manufacturing facilities in Mexico.

34. We wish Mexico well. But investments by American, Japanese, Taiwanese and possibly the Europeans in Mexico will divert much needed funds from South East Asia. Worse still what Mexico produces for the United States' market would be cheaper and more competitive than what the South East Asian countries can produce. Imports into the United States and Canada from Mexico would cut into the export earnings of South East Asian countries, even if they still get GSP status.

35. Now consider the Enterprise of the Americas. If the privileges of the NAFTA are extended to all the Central and South American countries, not only will the Americas be self-contained and independent of all resources and products from the rest of the world but the bloc can use its economic strength to bludgeon the non-EC countries into economic submission.

36. Again this may sound too exaggerated. The United

States and Canada would not want to do this. But in many instances the United States, in subtle and not so subtle ways, have already been doing a lot of economic armtwisting.

37. The United States have threatened to limit imports or apply countervailing duties or penalise countries for anything that the United States unilaterally decide as infringements of the many regulations that govern trade with the United States. Trade is restricted severely until countries sign the protection of intellectual property agreements. Countries are put on the "Watch List" which is not different from criminals being put under surveillance. GSP privileges are examined every year as are the quotas on imports, a practice that creates uncertainty and discourages investments in productive facilities.

38. Unrelated to trade, yet indicative of the attitude of the United States towards international laws and norms is the arrest of the leader of a country through military action and then charging him under the United States laws in the United States courts. This is the first extraterritorial enforcement of a national law. If a country is willing to ignore world opinion, what guarantee is there that it will not, when it becomes the sole world power, do what it likes in order to protect what it considers as its own interests.

39. If the countries of ASEAN feel that the international market place is about to be divided between the great economic entities and closed to them, can they really be blamed?

40. ASEAN cooperation in the economic field is minimal. But the performance of ASEAN countries in developing themselves is not unconnected with their regional cooperation.

41. The Association has helped to stabilise the region politically and militarily. It is this atmosphere of regional peace and stability which enables the ASEAN nations to develop. While intra ASEAN trade is minimal and contributes little to the members' economies, learning from each other the skills of economic and development management has helped them grow rapidly. The ASEAN formula for growth is identical. That is why all ASEAN countries have open markets, welcome foreign investments and look towards an export led growth.

42. This last strategy is important and is the cause of their fear and anxiety over the trend towards the setting up of de facto trade blocs in Europe and America. Clearly they have to do something about it.

43. ASEAN can expand. Right from the beginning ASEAN was meant for all South East Asian countries. Obviously the Indochina countries and Myanmmar are geographically eligible. So far they have not been invited for obvious political reasons as well as the fact that they are not open free-market economies.

44. The ease with which Brunei was admitted is indicative of the openness of ASEAN. It is most likely that ASEAN will welcome Vietnam, Cambodia and Laos in the near future. All three countries are beginning to appreciate the benefits of a free-market system or at least the importance of national development over territorial acquisition.

45. The Vietnamese leaders have been visiting the ASEAN countries and it is unlikely that they failed to notice the prosperity of these countries. That they have noticed is evidenced by their request for information on banking and administration in these countries. They have asked for foreign investments although from selected countries at the moment.

46. Still it must be remembered that ASEAN is not an economic community. ASEAN came about because the South East Asian countries in the early days of their independence, faced many border problems. Claims and counterclaims and the eventual Confrontation by Indonesia against Malaysia had to be resolved. Military solutions were not successful. As a result an association of neighbours was formed to provide a forum for settling problems between members. ASEAN is therefore more a political grouping than an economic grouping.

47. Politically there is a need for ASEAN to establish good relations with the Indo-China states in order to ensure regional stability. For this reason alone ASEAN would welcome membership of the Association by the Indo-China states. The Prime Minister of Thailand has already openly welcomed membership by the Indo-China states.

48. Papua New Guinea has already been accorded observer status. Sri Lanka has expressed interest to join. Possibly Myanmar might get interested.

49. So expansions of ASEAN are in the cards. But what would be the benefit of enlarging the membership of ASEAN? It will be noted that the potential new members are weak economically. The combined economic strength and political influence of the enlarged ASEAN is unlikely to be improved. If in fact the trade blocs of Europe and America become inward looking, the ASEAN group is unlikely to be able to prise open the rich markets on which their economy depends. Indeed they may not even enhance their influence in the trade negotiations in the GATT.

50. Consequently ASEAN needs to enlarge its circle of friends if not its membership. In the Far East there are a number of dynamic countries which can help amplify the voice of ASEAN. These are China, Taiwan, Hong Kong, Korea and Japan.

51. These countries are also very dependent on world trade and the free market. It would be in their interest to add

their voices to those of ASEAN. The proposed East Asia Economic Group (EAEG) would bring the ASEAN countries, the potential members and the dynamic economies of East Asia together. This will not be a trade bloc for the simple reason that their economies largely compete with each other and trade between them is a very small proportion of their total trade. The usefulness of the EAEG lies in the strength of their combined voice in the GATT Rounds in particular and in international trade negotiations, in general. A forum of East Asian Countries is all they need for this.

52. All these countries are expected to vote for free trade with as few conditionalities as possible. Their combined economic strength will lend weight to their views. Of course a self-sufficient Europe and the Enterprise of the Americas can still ignore the EAEG. But the EAEG combined market will be too attractive for Europe and America not to negotiate with.

53. Assuming the worse scenario again, i.e. Europe and America do not care, the East Asian market can support the members of the Group to a considerable extent. Investment in each other's country, using the considerable technologies and marketing skills that they have, can stimulate East Asian growth sufficiently. Certainly by learning from each other as the ASEAN countries have done, the chances of their achieving high growth rates are good. And if they should grow in a world divided into trade blocs, the imperatives of growth will eventually force the trade blocs to open up and free trade will be restored.

54. The United States oppose the EAEG and are known to apply pressure on various countries including members of ASEAN. Vice President Quayle was reported to have said that there should be no grouping in the Asia Pacific region which does not include the United States. Obviously the United States can be members of NAFTA and any Pacific grouping but East Asians may not even talk to each other.

55. The United States is especially concerned that Japan does not join the EAEG. The United States feel that this will allow Japan to dominate East Asia economically and politically. The Greater East Asia Co-Prosperity Sphere touted by Japan in the last war was resuscitated to frighten East Asians of the possibility of Japanese hegemony.

56. I think East Asians are mature enough to think for themselves. The stand of the United States suggests a desire on the part of this great nation to exercise hegemony over East Asia. We think of the United States as a friendly country but domination by a friend is no more welcome than domination by an enemy.

57. If East Asians are not afraid of Japan, why should the United States worry about it? The United States is the most powerful nation in the world. Modern Japan on the other hand has gained more through trading with the world than

through war. It is unlikely for Japan to exchange the economic approach for the dubious chances of military adventures.

58. More likely the United States' stand is due to a desire to prevent Asian countries from achieving developed status through working together. If one does not know better one would say there is a racist element in this attitude. But of course the United States has a proven record of being racially liberal.

59. Malaysia and ASEAN will press on for the formation of the EAEG. We assure you that we have no intention of becoming a trade bloc or to commit economic suicide. As nations and as peoples we have a right to associate with whoever we like and to develop. If the West cares for human rights then do not deny us the right to progress to the level of the Caucasian Europeans. If we are denied this while the East Europeans are helped to achieve developed status then we must conclude that colour and race still influence the thinking of the West.