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SMART PARTNERSHIPS FOR GLOBAL HARMONY
AND CO-OPERATIVE PROSPERITY

It is indeed a pleasure for me to be here this evening and to have the opportunity to meet with the captains of business and industry from many corners of the world. I also wish to bid a warm welcome to Malaysia, and in particular to Langkawi, the isles of legends, to all participants.

2. I would like to apologise for my frankness in stating my views but I believe it is in the interest of all of us to put all the cards on the table.

3. A term which we hear often is the Zero Sum Game, a game in which the winner wins at the expense of the loser. When we add up the result of the contest, there is no real gain from it. It is just a process of transferring what one contestant has to the other, the so-called winner. The net result is no different from the situation or the assets at the start.

4. If this is to be the basis for trade between nations then there will be no growth for the world as a whole; only growth for one or the other of the trading partners. Thus the growth of the poor nations must result in the impoverishment of the rich. In which case there is every reason for the rich to prevent the poor from ever growing. Similarly the growth of the rich must be at the expense of the poor. Not being in a position to prevent this, the poor will merely get poorer.

5. We know in fact that this is not the case. Over the years the economies of all the countries of the world have grown. There are many reasons for this but I would like to draw attention to the experience of Malaysia where economic growth has not really been at the expense of others. Indeed the opposite is true. Malaysia's prosperity has benefitted most of her

partners.

6. Early on after independence Malaysia bucked the trend. Instead of being ultra nationalistic and ejecting foreign participants in its economy, Malaysia actually invited more foreign involvement in it.

7. As a result many foreign companies invested in Malaysia. Since our main problem was unemployment, we created conditions suitable for labour intensive industries. It was not cheap labour which we touted. Rather, it was the generous incentives, infrastructure and the political stability. The lower cost of labour in Malaysia has always been due to a deliberate policy of keeping the cost of living low.

8. The Japanese took advantage of this invitation most, although others also came. The net result is prosperity for Malaysia and the present full employment for its workforce.

9. The foreign partners who brought about Malaysia's prosperity have not suffered. Indeed they gained by being able to sell more goods and get more contracts from a more prosperous Malaysia. They, the investing companies and countries, have prospered by making Malaysia prosperous enough to buy their goods and services.

10. Today Malaysia in a small way is trying to do the same to the less developed economies of Southeast Asia. We are investing there in order to create employment and generally to jump-start their economic growth. The results are already being enjoyed by Malaysia and others. Not many refugees, economic or political, are landing on our shores now. Trade with these countries has multiplied manyfold. And Malaysia has not lost anything. We continue to grow at eight percent plus even as the Indochinese and other countries prosper.

11. "Beggars thy neighbour" is never a good policy. And today all the countries of the world are neighbours. By impoverishing neighbours a price will have to be paid, including by the country which follows this policy.

12. Let us take the trade war between Japan and Europe/America. Japan's emergence as an alternative source of manufactured goods was beneficial to the poor countries. The Japanese have a different business philosophy. They want market share rather than big margins. Left to themselves the Europeans and the Americans would have priced their goods according to what their own people could afford. If they could not it was a simple matter to increase wages or reduce cost by down pricing the raw materials and energy from the poor countries.

13. There would have been nothing the poor countries could do. They would have to accept exchanging more and more raw materials for less and less manufactured goods.

14. But the Japanese kept their prices low in order to penetrate foreign markets and increase market share. The result was that the poor countries were able to afford products which otherwise would have been beyond their reach. If the Asian or African or Caribbean farmer could afford to buy a pick-up truck or a television or a refrigerator, it was because the Japanese were able to produce cheap but high quality products.

15. The West could have adopted the Japanese approach and competed, thus bringing prices even lower. But the West was not willing to give up its profligate ways. Workers in the West wanted high wages without working as hard as the Japanese. Companies in the West took the easy way out, sacking their workers when faced with losses. And Governments continued to pay ridiculous unemployment pay, sometimes as much as 90 percent of last drawn salary. All these kept their costs high and the goods uncompetitive.

16. Unwilling to make any sacrifice the West decided to render the Japanese products uncompetitive by forcing the revaluation upwards of the Yen. Today the Yen is three times higher in value against the U.S. Dollar and of course against the currencies of most developing countries.

17. What is the result? Japan is now going through its worst recession from which it does not seem able to recover. Japanese goods are no longer cheap. The Japanese seem unable to manage their politics with weak Governments succeeding weak Governments. Japan is in deep trouble.

18. But the competing economies of Europe and America have gained practically nothing. They have not been able to fill the void left by the Japanese in the international market place. Their own economies are not faring any better. Even if more European and American goods are imported into Japan, the earnings from these are not going to be significant. Despite the high Yen, the balance of trade persists in being in favour of Japan.

19. Clearly neither Japan nor its competing trading partners have gained anything from the Plaza Accord and the Yen appreciation. For both sides it is a lose-lose situation.

20. What about the third parties, the developing

countries like Malaysia? The appreciation of the Yen has trebled Malaysia's debt. Japanese products are now priced out of the reach of the peoples of the developing countries while the competing products from the West remain too expensive. At the same time most of the commodities of the poor countries are sold in U.S. dollars, which means that earnings are even less able to buy Japanese goods or pay Yen debts.

21. It is not just a lose-lose situation for the developing countries. It is a lose-lose-lose situation for everyone. Making Japan uncompetitive may be good for the ego but it is not very smart.

22. When are we going to learn that begging your neighbour does you nothing good? Indeed as has been pointed out it has done everyone a bad turn. Surely the better thing to do is to Prosper Thy Neighbour.

23. What applies to countries also applies to companies, even to individuals. Again Malaysia can provide the example. We had an abundance of low cost labour, the result of our low cost of living, who are quick to learn new skills. The manufacturing companies which came to Malaysia availed themselves of Malaysia's assets which also included political stability and general hospitality. The result is that their products became affordable and competitive in the world markets.

24. Perhaps by investing in Malaysia they deprive the workers in their own countries of jobs. But these are highly skilled and highly paid workers who could be easily trained to do hitech jobs with higher value added. Indeed this is what the Japanese did.

25. Investments by companies from developed countries in developing countries can be considered a form of smart partnership. Similarly cooperation between individuals possessing complementary skills falls within the category of smart partnership.

26. Nations, companies and individuals should really strive for a win-win situation, for partnerships which benefit both instead of one at the expense of the other. By adopting this philosophy, individuals, companies and nations will all be more prosperous. As it is, relative to the unprecedented advances in science and technology the world today is poor. Whole nations are impoverished. Even the rich countries are finding more and more of their citizens living under bridges, pitifully covering themselves with cardboard boxes and begging for a living.

27. Malaysia has striven to escape from the poverty trap. We have, to a limited extent, succeeded. But for how long can we succeed? If beggar thy neighbour remains the creed for this world, sooner or later we

have to join the ranks of the unfortunate nations of the world.

28. The world today is dividing itself up into blocs, antagonistic blocs with the objective of gaining for one at the expense of the other. Only Asia has no trade bloc. But there is fear that Asia might unite and defy the West. Imagine a trade bloc consisting of Japan, the world's second biggest economy, China with 1.2 billion people and the potential for being the world's most powerful economy, together with Korea, Taiwan and Southeast Asia. With almost two billion hard working and skillful people and the capacity to make full use of modern technology, the confrontational potential is frightening. It will totally dominate the world.

29. Can Asia be stopped? It is not likely. Sooner or later the Asian economies must outstrip the rest of the world. Will Asia then browbeat the Western nations the way Asian countries are being browbeaten now?

30. It will be unfortunate if Asia's emergence as a powerful economic region results in a confrontation with the rest of the world. There is nothing to be gained by anyone in the end. Asia needs the rest of the world to be prosperous even as Europe and America need a prosperous Asian market. A troubled Europe and America is just not good for Asia.

31. If there is to be no confrontation, if there is to be a smart partnership between Asia and the developed world in the West, the foundations must be laid now. By adopting an unfriendly attitude towards each of the countries of Asia, the West is unnecessarily antagonising them and pushing them together. Singly they are already a handful. But united they will be beyond handling.

32. Whether it is admitted or not trade blocs have formed in Europe and North America. The NAFTA is to be extended in order to include all of Central and South America. There are serious talks about close collaboration between NAFTA and the European Union.

33. In the meantime Asian countries are not even allowed to talk to each other. They may not form the East Asia Economic Caucus, a forum for discussing mutual problems. Japan and South Korea are directed not to join any such grouping. Instead all must join APEC and be directed by the dominant members from among non-Asians.

34. All these are not likely to be welcomed by Asian countries. If they become strong, and this is very likely, then they will not forget the unfair treatment they had received. They are not likely to propose

partnerships for mutual prosperity with the West. They will plump for the zero sum game, i.e. Asian prosperity at the expense of Europe and America.

35. Who knows what this will lead to. Confrontation, economic and military threats, nuclear war or another cold war which goes on for decades sapping everyone's strength. All these are possible, unless we are smart enough now.

36. Smart partnership is about companies working together for mutual gains. It is the logical and the best approach. We should all prosper not at the expense of but together with our partners and even our competitors. Smart partnerships apply to individuals too, and certainly to nations worldwide.

37. On this note, I wish all of you here a very successful dialogue and hope you have an enjoyable stay at this salubrious holiday resort islands of Langkawi.