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AND PROSPECTS"

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I have been asked to speak on "Asia in 2020: Challenges and Prospects". If I were in a mood to jest, I should say before you here and now that I have immense difficulty in seeing the future . because I left my crystal ball in Kuala Lumpur. But I suspect that the subject is too serious to be taken too lightly.

2. At the best of times, I think anyone who speaks with any degree of certainty about the future, especially about a future so distant as 2020, should be regarded as a charlatan. This is true at most times. If, even at the most stable of times, certainty is almost always a sure sign of an error in thinking, today it is the very height of naivety - or utter ignorance.

3. It is especially true today, at a time of possible fundamental change, when history could take the world up a reasonable road to human progress or down the steep ravine to disaster.

4. We have today, because of the act of a small group of crazy extremists and the rage of an unfettered giant, the prospect of a radically new world; a new world unimaginable even a year and two months ago.

5. These preliminary remarks should suggest to you that whilst a positive mindset is essential for human achievement of any note - whether it is the running of a state or a corporation - our optimism must always be tempered by realism and the deliberate calculation not only of opportunity but also risk.

6. We should have no illusion about the possibility of the bleakest of futures for Asia. Our future could be as black as in the reasonably recent past.

7. I am sure I do not need to remind anyone in this room that the last few hundred years have been a period of shame for Asia. Our heads were bowed. For much of the time, we stood on our knees. Our people

were impoverished. Our technological prowess was pathetic; our claim to civilisation completely tenuous.

8. Without a single exception, every nation in Asia, India included, has at one time or another over the last 50 years been given up as lost. We have been dismissed as basket cases, societies which can have no future. We have for some time now started to show the world what we can do. We have clearly turned the corner. We could be at the start of a peace and prosperity run that could take us to where we were, when we were the centre of human civilisation. We now have a historic opportunity to banish our period of shame and to put in its place, an era of pride.

9. Whilst I do not know what exactly the future may bring, I have some very clear ideas about the objectives we must aggressively and relentlessly fight for in the years to come. I have some very clear ideas about some of the things we need to do, to make our future an era of pride. Let me begin with the objectives.

10. In the years ahead, it is obvious that there are a thousand and one things that we must keep our eye on. There are a hundred and one things that we must work at. But I believe that we must aggressively and relentlessly concentrate on two fundamental objectives.

11. First, we must in the years ahead build communities of durable peace and friendship. Second, we must ensure rapid and sustainable economic growth.

12. Let me begin with peace. This is where human progress begins. This is the first pre-requisite. Let us never under-estimate the central importance of peace, true peace, which goes way beyond the mere absence of war. If in the years ahead we cannot secure true peace and sustain and strengthen it, I believe we do not have much of a future. If we are able to achieve this true and sustainable peace, we have a good chance of fulfilling the hopes and dreams of our people.

13. How is a warm and durable peace to be achieved? The first option is hegemony. The second is reliance on a military balance of power. The third is the option of community, of building regional relationships of reasonable mutual trust and reasonable mutual friendship, where no-one is driven to rage, where cordiality takes the place of hate.

14. It wasn't so long ago that a "Pax Americana" over East Asia was spoken of in the fondest of ways

in Washington and in some parts of East Asia under American intellectual tutelage. Some of its advocates in Asia and further afield could not even understand why anyone in East Asia should have the slightest objection to American hegemony; although for some reason, when others in the region spoke of the virtues of a "Pax Nipponica", their blood pressure went up - and when others talked of a "Pax Sinica", their hair stood on end. Somehow, an East Asia peace under the diktat of the United States was excellent but an East Asian peace under Japanese hegemony was choking and an East Asian peace under Chinese dominance was obscene.

15. Let us be clear about the imperial or hegemonic approach to peace. It is true that nothing is as powerful as an idea whose time has come. But it is also true that nothing is as powerless as an idea whose time has gone. Hegemony and imperialism, like the doctrine of "the divine right of kings" and "the mandate of heaven" are neither productive nor possible in today's world. The world today is too complicated and too democratic a place for imperialism to be a viable approach to true peace. It generates too much resentment and too much hate in too many hearts. 190 states with 6 billion people can be controlled. But million or two of them who can learn the rudiments of bomb-making over a week-end, cannot be easily controlled.

16. Those who fail to read the writings on the wall will pay the price for their political illiteracy. If hegemony is not tenable, why not that trusty old blunderbuss: the balance of power, and its small variant, the balance of terror?

17. An extreme form was well articulated by the ancient Romans who coined that famous adage: if you want peace, prepare for war. Less extreme models call for a counter-balancing of the enemy's military and other power. In many parts of East Asia, this was the dominant approach to the prevention of war in the 1940s, 50s, 60s, 70s and 80s. In East Asia today, it remains the dominant approach to peace and stability only in the Korean Peninsula and perhaps across the Taiwan Straits. In the rest of Asia, it is no more prevalent.

18. Sometimes, of course, nations may face no other alternative but to rely on deterrence. But a balance of power approach is often a very costly approach because when you prepare for war, war all too often is what you get.

19. Modern armaments are getting ever more expensive. In the classic balance of power, arms races cannot be stopped; military budgets get too big

(to the detriment of other national priorities); entrenched psychologies cannot change but get only further entrenched; nations and their people cannot relax; always, it is we versus "the enemy". The risks are of course heightened when nuclear weapons enter the balance of terror.

20. Rigid military balances of check and counter-check divert attention and energies from more important agendas and tend to freeze the status quo, when some accommodation, flexibility and progress may be in the longer term good for all. They are also a very low-aspiration approach because when balance of power systems work, at such substantial cost, all that you achieve is a cold and adversarial peace. Never a warm and cooperative peace.

21. Many will say that even in the period before September 11, it was already clearly a shoddy option. In the period after September 11, it is shoddier still because warfare has ceased to be the monopoly of the state and has become a tool of individuals and small groups too difficult to identify, still less to discipline. A cold and adversarial peace cannot secure the minimum level of security.

22. Many will of course say that the third option - achieving peace through building trust, relaxing tensions, building friendship and goodwill, a sense of community and a community of interest in peace - is idealistic. It is said to be difficult. It is said to be laborious. It is so demanding of patience and endless effort. They are right. But in the right conditions, peace through community is much more realistic than hegemony and the balance of power system - which can never achieve true peace. I believe that, despite all the obvious difficulties, it is still the most productive method for the creation of a warm and productive peace that is subservient to the welfare of the peoples of our nations.

23. Those who say that the community of friends approach to true peace is not possible have to explain the success of Western Europe, which twice in the last century brought a world war upon the entire world. Those who say that the community of friends approach is not possible must explain the success of ASEAN. And they should watch very closely the efforts at relaxing tensions and making friends in East Asia, the most turbulent, most war-prone region in the world in the generation after the Second World War.

24. After hundreds of years of enmity and fighting, who in Western Europe in 1945 could have imagined that this warring continent would be able to create a

community of peace within just a generation?
Whatever the success or failure of the economic community-building movement in Europe, no-one can deny that the process of banishing war and building a true peace in that continent has been one of the wonders of the 20th century.

25. There are today many cynics who find flaws in the entire ASEAN endeavour. God knows there are many flaws in ASEAN. Yet no-one has ever said that ASEAN has not been a tremendous success in building a community of peace in what was once so often called "a region in turmoil". Strangers have been turned into acquaintances. Acquaintances have been turned into comrades. Enemies have been turned into friends, not overnight; but still quite surprisingly fast.

26. To be sure, the new ASEAN members are not so chummy among themselves or with the older members. But there is no doubt that despite centuries of disdain, prejudice, animosity and pure hatred, no-one in the entire region of Southeast Asia is preparing or even thinking of going to war against another. A community of cooperative peace has been established.

27. As for East Asia to the east of Bangladesh, let me remind the sceptics that 20 years ago China's new path was still uncertain and tenuous. Vietnam had just invaded Cambodia. Southeast Asia was divided into two camps. We were at daggers drawn. The East Asia of today is a very much different place.

28. History is a good teacher. It is good at teaching lessons. But history, especially our various conflicting interpretations of our past history, is not a good master. We must not be history's prisoners. And there is much to be said for breaking out of the deep dungeon of history. There is much to be said for burying the past and building the future together.

29. This is what Eastern Asia has done. And today, our highest priority is on generating economic dynamism and ensuring the welfare of our people by ensuring rapid and sustainable growth.

30. Because of our ability to secure peace and to concentrate on prosperity, over the last twenty and thirty years, the economies of East Asia have grown at rates unprecedented in human history. In Western Europe, the greatest age of economic dynamism was their Industrial Revolution. We in East Asia over the last generation have been able to grow at roughly twice the speed of Western Europe during its great Industrial Revolution.

31. It is very important for the rest of Asia that in the future India is part of our prosperity run; and it is very important that we run together. How do we do this? Many economists talk of the "East Asian model" of economic development. There are of course similarities that can be found in East Asia. We all have high levels of domestic savings, even though Malaysian and Chinese levels of domestic savings have been so historically high as to make the high-saving Japanese look like a nation of spendthrifts. We all have an obsession with education, although the incredible obsession that South Koreans and Taiwanese have with regard to education make the rest of us look like education-averse delinquents.

32. The truth is that there are many models of economic development in East Asia ranging from those economies which are very reliant on foreign direct investment to those like Japan and South Korea which are very reliant on domestic enterprises. Japan is much, much less dependent on exports than Malaysia or Singapore. South Korea developed on the basis of huge conglomerates called chaebols whilst Taiwan was built on small and medium scale enterprises.

33. What we all have in common is an awful lot of national pragmatism. We all did it according to the Sinatra Principle. We all did it our way. And the most important element was not the international system, or the regional system but the national pragmatism sans ideology.

34. In the days ahead, it seems clear enough that the most important helping hand that we all need is at the end of our own right arm. Our destinies are very much in our own hands. Almost always, no-one can do to you worse than what you can do to yourself. Fortunately the obverse is also true. No one can do anything for you better than what you can do for yourself.

35. Having said this, let me stress one national policy that goes beyond the nation state that has proven to be productive of our individual national interests, one area where a concert of Asia is very much needed and one area where a partnership between India and Asean will be mutually beneficial.

36. In many parts of the world, beggar thy neighbour is a powerful reality, a natural policy response. If I can mention it, we in East Asia have found much value in "prosper thy neighbour" policies.

37. So many nations in East Asia have willy nilly

adopted this policy not because of altruism or idealism but because it has served their own enlightened national interest.

38. We all can choose our friends but we cannot choose our neighbours. A basic question we face is this: is it better to have neighbours which are impoverished, which cannot provide for their people, which are a hotbed of instability and turmoil; or is it better to have neighbours which are growing in prosperity, which can therefore buy more from you, which do not generate hordes of refugees and trouble makers who are likely to seek a haven in your country or cause havoc in your region?

39. It is of course not easy to sustain "prosper thy neighbour" policies when your neighbours are strange or different, when they might cause you so much trouble and inconvenience or say the wrong things about you and so often show no gratitude whatsoever. But I assure you that the returns are worth all the difficulty.

40. Secondly, let me stress the need for Asia to work together to shape the international economic system within which we have to work, which determine so much of our possibilities, over which presently we have so little influence, still less, control.

41. I have in the past been impressed so often by the posture taken by India in, for example, the WTO. India must continue to provide leadership on global economic issues and on the course and development of globalisation - which promised so much to all of humanity but which has been so selfishly hijacked by the greedy and the few in recent years.

42. Thirdly, let me suggest that it is high time for ASEAN and India to work on a comprehensive economic partnership that will be mutually beneficial to us and to the rest of Asia and the world.

43. There is today the ASEAN Plus Three process involving the 10 Asean states, China, Japan and South Korea. This will develop because of its profound logic.

44. At the ASEAN summit in Brunei in November last year, President Jiang proposed and Asean leaders agreed to form an Asean-China Free Trade Area within 10 years. Last month in Brunei, China and ASEAN agreed on an early harvest of tariff reduction in hundreds of items in eight agricultural areas to be implemented in the 2004-2006 period. A framework agreement is due to be signed by the leaders of ASEAN and China at the Summit Meeting to be held in Phnom Penh next month. China and the ASEAN 5 (Indonesia,

Malaysia, Philippines, Singapore, and Thailand) are already a remarkably integrated trading area today. In the years ahead, we cannot but move closer together.

45. In Brunei last month, the economic ministers of ASEAN and Japan agreed to conclude an Economic Partnership Agreement, including a Free Trade Area, within ten years and to start its negotiation next year.

46. Also in Brunei, Korea's economic minister suggested the idea of an ASEAN-South Korea Free Trade Area. For ASEAN, this should complete the logic of ASEAN free trade agreements in East Asia.

47. It would be interesting to see here, in India, how strong is the interest in an ASEAN-India Economic Partnership Agreement. In this case too, there is a profound economic logic.

48. I have mentioned already about history, about the past, and about the various versions of history that we all possess. Let me end by re-iterating that history is a good teacher but a bad master. It must not be the jailor that keeps us confined within our damp dungeons. We must proceed from the present. And we should vigorously proceed from today to build the future together.