

**SPEECH BY
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“East Asia Community and the Role of Japan”

Firstly, I would like to thank Keio University for conferring on me an Honorary Doctorate of Law. This is a great honour considering that Keio University is a venerable institution, which is recognised in Japan and the world as being one of the premier centres of higher learning.

2. I have been asked to speak on the East Asia Community and the Role of Japan. I hope I can do justice to this difficult subject as I am not in the habit of telling others what should be their role.

3. When World War II ended and the European nations lost their empires, they decided to form a European Economic Community. Whether this was because they did not want to have any more destructive wars between them, or to mutually retain their political and economic clout following the loss of their empires, I do not know. What we do know is that the European Economic Community, or EEC as it was best known in those days achieved peace in Europe and created a common market that matched the markets of North America and the other parts of the world. The European continent is now more self-sustaining than the old fragmented Europe which depended much on their separate overseas empires. Today the original Iron and Steel Community which evolved into the EEC, has become the European Union with almost all the countries of Europe joining in. There is no doubt that the European Union is a power that will dominate the world in the political, economic and social fields. The European Union is a great example of the maxim that strength comes from unity.

4. Yet prior to World War II a united Europe was unthinkable. The countries of Europe had been warring with each other for 2000 years. And in the 19th and the first half of the 20th centuries the most bitter enemies were the French and the Germans. They looked set to fight again when World War II ended. However, to avoid a new war, the victorious Allies did not ask for punitive

reparations from Germany as they did after World War I. This time, although Allied troops occupied Germany, they actually helped the German economy to recover. In fact defeated Germany prospered more than some of the victorious Allied countries.

5. As a result Germany did not think of another war but the leaders of Germany, bravely admitting the wrong that they had done in trying to conquer the whole of Europe; admitting also the atrocities they had committed under the Nazis, decided to reject war as an instrument of national policy. They decided to cooperate with their most bitter enemy, France, to bring about peace in Europe.

6. It was the cooperation between the erstwhile European enemies, Germany and France which made the European Union possible eventually. They set the tone which influenced the other countries of Europe to forget the past and concentrate instead on the future, a future of European peace through a united states of Europe. Today after half a century the European Union has become a reality.

7. There is a lesson here for East Asians. Like the Europeans we have been fighting each other, especially the Northeast Asian countries, largely as an extension of European wars. The wars we had fought left bitter memories, left scars in our minds which refuses to heal. I suspect that some of us deliberately nurture these scars. And because of this, we find ourselves unable to cooperate in order to adjust to a fast changing world, a shrinking world, which leaves us much less room to manouvre.

8. War is cruel and inhuman. During wars we do things that we would not do normally. We destroy and we kill. We occupy other countries. We train our people to kill. And in today's wars we do not just kill the enemy soldiers, but we kill everyone, old and young, men and women, sick and well; people who are unarmed and incapable of defending themselves, much less to attack us. Today's war is totally and completely inhuman and uncivilised. It is totally contrary to the values and rights that we preach. Yet today we are all arming to the teeth and without saying so in so many words we are threatening to go to war against each other. We can be sure East Asia will not be a better place if we war with each other, indeed even if we reject regional cooperation because of our old enmities.

9. We must learn from Europe, from France and Germany. We must all admit our mistakes, not hide them or ignore the past as if it did not happen. We must admit that it happened and that we are truly sorry that it did. And having done that we must look at the present and the future and work for the betterment of our life together.

10. This applies also to those who had suffered in the past from the invasions and the atrocities which accompanied them. There must be recompence but

compensation must not be forever. No amount of compensation can bring back what had been lost. We have to be realistic and call a stop to demands for reparations and apologies.

11. If the French and the Germans can seemingly forget and forgive, East Asian countries too must learn to forget and forgive. It will be very difficult. It will be painful. It will take time. But we cannot forever allow the past to shackle us, to stop our progress. The baggage of history must be left behind.

12. What is important is that we cooperate with each other in order to reap more fully the benefits of a changing world. We cannot align ourselves with those outside our region because to do so implies distrust of our neighbours, even enmity towards them. And this would certainly increase tension and prevent reconciliation. This cannot contribute to peace and stability in our region so essential for our political, economic and social well-being. It would certainly keep the enmities of the past alive and even worsen them. We would live hating and fearing each other and would be forced to expand money on our preparations for war, money that could be better spent on improving the quality of our lives, on reducing poverty among us.

13. When Japan decided to modernise it copied not just the ethnic European economic and social model but also the political model. Japan had been very inward looking before the Meiji restoration. But following upon its opening up for international trade, it also adopted the political creed of the Europeans. Japan began to form military alliances. In world War I it allied itself with the Allies against Germany. But in the Second World War it allied itself with the Axis countries. Prior to that it had invaded Korea and China in imitation of European belligerence and expansionism.

14. The European creed is different from that of the Asians. Europeans believe in settling disputes through a test of strength. The winner not only takes all but is also regarded as being right. If Asians copy the Europeans we will end up in fighting each other endlessly.

15. The Europeans have not given up this creed when they agreed to unite to avoid war among themselves. They were never committed to peace with the rest of the world. In this they are joined by the ethnic Europeans who had migrated earlier to found great nations in America and the Pacific. For them might will still determine who is right. And so there must always be contests in order to determine who is the winner and therefore who is right.

16. Asians should compete but not on a basis of the winner takes all. Our creed should be that the winner does not win all and the loser should not lose all. This way competition would be more healthy and would not result in eternal feuds. Destroying a trading partner through competition will leave us without a

market. Destroying a country through war will result in an endless war as the people in a defeated country fight back to regain their land.

17. East Asia needs to come together simply because cooperation between countries is good in itself. It will result in peace and greater prosperity for everyone. But it should also come together because we have to protect ourselves from the rather aggressive competition by the grouping created by the European Union and by the North American Free Trade Association.

18. The world is evolving a new system of economic relations. Globalisation is invented by the ethnic Europeans in Europe and North America. The interpretation and the agenda of globalisation presently is largely detrimental to non-European countries.

19. Japan had always been a closed market. But globalisation will prise open its market to ethnic European countries. This is inevitable. But the European countries had opened up their markets to each other first. The EEC and then the European Union basically created a closed market for the European countries. Similarly the North American Free Trade Area created an exclusive free market for its members. It is likely that NAFTA will be expanded to include all the countries of North and South America.

20. If Japan has to open up its market it should go through the same phases. It should open up to the member countries of an East Asian Community first. With its huge purchasing power it can help member countries to grow. Japan is of course already able to access the markets of East Asian countries as seen by the huge trade surpluses it has with many of these countries.

21. The move by Japan to have free trade agreements with individual countries of Southeast Asia is a step in the right direction. But China is negotiating an FTA with the Southeast Asian nations as a group i.e. the Association of South East Asian Nations (ASEAN). Japan should quickly do likewise. A move in this direction by Japan is likely to encourage South Korea to do the same.

22. If all these free trade agreements are taken together, there will be an East Asian Free Trade Community which takes into consideration the weaknesses of some of the Southeast Asian countries, and consequently allow them to have a degree of protection which would enable them to overcome the disparities in their stages of development. This will certainly accelerate the economic development of the region and prepare them for globalisation of trade and competition with the European Union and NAFTA.

23. Japan today is busily engaged in propping up the US Dollar. This is quite understandable as Japan holds huge Dollar reserves which are growing because of the effort to prop up the Dollar through buying more Dollars. But this cannot

go on forever. The United States must maintain the value of its currency by reducing its huge deficit and living within its means. Playing around with its interest rates alone is not enough.

24. Whatever Japan does, its Yen is bound to appreciate against the US Dollar. There was a time when 1 Yen was equal to 1 Malaysian cent or 1/3 US cent or 3 Yen equaled 1 US cent. The Plaza Accord changed all that. Today 1 Yen is worth 4 Malaysian cents or slightly more than 1 US cent, a 300 % plus jump in the value of the Yen.

25. What this means is that Japanese goods have become expensive for Southeast Asians. They cannot compete with some American goods, but more significantly with Chinese goods. This is not healthy. And this is the result of using the US Dollar as a trading currency and valuing other currencies against it.

26. Two things can be done to minimise the effect of a depreciating US Dollar:

- i) Japan must be willing to make the Yen the trading currency of East Asia to replace the US Dollar and
- ii) following this for East Asia to have its own trading currency backed by gold.

27. When the currencies of East Asia were devalued by the currency traders the countries affected went into recession. But when the US Dollar depreciated against the Euro and the Yen, the US economy actually grew. This is because prices and especially oil prices are denominated in US Dollar and so is payment. With the huge reserves of Japan, China and other Asian countries held in US Dollar and resident in the US the country is never short of money to pay for its imports. Its huge debts do not affect it at all, as the debt are in US Dollars and payment would be made in US Dollar even if the US Dollar has depreciated considerably.

28. For the sake of fairness in trade, a neutral currency is needed. The Euro is a domestic currency for all the members of the European Union. It is also the trading currency in the European Union. But it is not usually the trading currency for the rest of the world.

29. The East Asian countries need not have an East Asian currency for domestic use as the Euro is in the European Union. To give it a reference value against the currencies of the countries of East Asia, we can base the East Asia Trading Currency on gold.

30. Gold has a value in each country in the local currency. Thus one unit of the East Asian trading currency would be equivalent to a certain weight of gold. In each country that unit weight of gold would have a market value in the local

currency. It is thus possible for every country to know in terms of their own currencies the value of the goods and services traded.

31. Gold can fluctuate in value in any currency, but the fluctuation would never be very wide. On the other hand paper money can fluctuate very widely. During the financial crisis in East Asia, the Indonesian Rupiah went down from 2500 Rupiah for 1 US Dollar to 16,000 Rupiah. Today 1 US Dollar is equal to about 9,000 Rupiah. Gold will never fall in value to this extent or as rapidly.

32. An East Asia Trading currency based on gold would therefore be more stable than the US Dollar or the Euro, or even the Yen. If the Europeans can have a European currency as legal tender in all the countries of the European Union, surely East Asia can at least have a common currency purely for trade between the member countries. Based on gold such a currency will be more stable and will promote trade and investments.

33. There are many other things that Japan can do to create a successful East Asia Community. It can certainly increase its trade with the countries of the region, but it can also train and upgrade the manpower of the member countries. It can improve the technology and industrial capacities of the countries, invest in them and together with other Asian countries help get the best terms for the poorer members in the globalisation negotiations.

34. All these things that Japan can do will actually contribute towards Japan's own development on the basis of prospering neighbours. A rich East Asia will become Japan's best market.

35. Japan's role is clearly considerable. With Japan's help and participation a cohesive East Asia will stabilise the region and contribute towards the political, economic and social health of the world.
