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SPEECH BY THE PRIME MINISTER AT THE OPENING OF THE NINETEENTH MEETING OF THE ASEAN ECONOMIC MINISTERS AT MANDARIN BALLROOM, MANDARIN HOTEL ON 9 JULY 1987

Let me extend a warm welcome to the Economic Ministers of ASEAN and their delegations to Singapore.

All ASEAN countries have gone through substantial economic and political changes since ASEAN was formed in 1967. Our economies were then trying to shake off their colonial dependency on plantation agriculture and entrepot trade. We all faced serious unemployment problems which threatened to create social disorder and political difficulties.

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All ASEAN governments have been successful in generating economic growth. By the middle 1970s, economic development in the region picked up steam. Rapid expansion of world trade under an open and multilateral international trading system, and the stable currency exchange rates helped our economies to grow.

The oil crisis in October 1973 caused upheavals internationally. Regionally, it meant rapid economic expansion for the oil producers in ASEAN. A non-oil producer like Singapore benefited indirectly from the spin-off, as oil trading, oil refining, and oilfield equipment manufacturing industries boomed. ASEAN economic growth averaged seven per cent per annum in the 1970s. We developed our basic economic infrastructure, reduced unemployment, raised standards of living, and restored social stability.

In the mid-1980s, however, conditions turned against ASEAN. Oil and commodity prices fell drastically. Slow growth in the developed countries, plus persistent imbalances in world trade, have led to strong protectionist sentiments in the US and Europe. International trade is no longer expanding so fast. More trade barriers and bilateral deals are likely and they will further dampen world growth.

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Commodity producers have suffered drastic reductions in foreign exchange earnings. ASEAN countries are seeking growth through expansion of non-oil exports and manufactured products. This means we need access to the markets of the industrial countries. They unfortunately are turning protectionist.

The trade bills of the US Congress may be mainly targeted against Japan and the EC, but US measures against these countries will hurt developing countries like ASEAN, either in their side effects, or in their knock-on consequences as other countries retaliate in turn. Therefore we must as a regional grouping set an example of open and fair trading, and press the industrial countries to do likewise, and so enable our economies to develop. Individually, we may not carry much weight with the industrial countries. But together, we have enough significance to influence those decisions of our major trading partners like the EC proposal to tax vegetable oil imports. Our joint protests strengthened the hands of those EC members opposed to the new tax and helped to stall this move.

Within ASEAN, we must ensure that the actions we take to solve our domestic problems do not make problems for other ASEAN members. We all face difficult circumstances.

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Our major success has been to bring the member countries together to work constructively for economic development. We could so easily, like other regions, have dissipated our energies in disagreements and conflict. Because ASEAN policies increased political stability, confidence in the region increased and facilitated our individual efforts to attract investments.

Our diversity in economic structure, state of development, and development philosophies have led to different national priorities. Nevertheless, we have sought common ground and found areas for cooperation. The challenge now is to find more areas for cooperation although the economic environment has become more adverse.

Our common approach toward our important economic partners, the US, Japan and the EC, has helped. The yen has appreciated and operating costs in Japan have risen. Japanese industries have shifted more production offshore. In one year, direct Japanese overseas investments have almost doubled. ASEAN countries have a unique opportunity to attract more investments from Japan and also from the EC, with their stronger currencies, especially the DM. If we liberalise our regulations and controls, Japanese and European investors can set up plants in ASEAN countries to lower production costs and exports products to the world, as well as back to Japan or Europe. By doing this, American industries had stayed competitive during the past six years when the US$ was strong.

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Japan's proposal to set up a special fund to encourage Japanese private sector investments in ASEAN is timely and a welcome move. It reinforces an

existing trend. It is up to us to liberalise our rules and regulations and encourage more investments to come our way which would otherwise flow elsewhere without this special fund.

The US is ASEAN's other major economic partner. ASEAN and the US have recently agreed to work together on an ASEAN-US Initiative. The AUI can serve as an umbrella arrangement under which ASEAN member countries can negotiate bilateral agreements with the US. The appointment of a coordinator for the AUI by the US is a start. It is an especially significant start coming at a time of strong protectionist sentiments in the US. We should seize this opportunity to negotiate an agreement with the US which will offer ASEAN some shelter from protectionist sentiment and likely legislation.

The Summit in December will be a major event in ASEAN's history. We have to work out some practical steps for the next phase of economic cooperation. ASEAN economic ministers will have to help settle recommendations to improve the conditions for investments. Perhaps they can also recommend ways to facilitate and increase trade between ASEAN and the industrial countries. How our economies grow depends on how ASEAN is perceived by the industrial countries. If they see us as welcoming their investors, traders, bankers, managers and engineers, then their capital and technology will

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flow here in larger volumes, resulting in considerable improvements to the economic growth of our region.

It is now my pleasure to declare the 19th Meeting of the ASEAN Economic Ministers open.

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