

***ECONOMIC RELATIONS  
BETWEEN WEST ASIA  
AND SOUTHEAST ASIA***

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**INSTITUTE OF SOUTHEAST ASIAN STUDIES  
SINGAPORE**

# ECONOMIC RELATIONS BETWEEN WEST ASIA AND SOUTHEAST ASIA

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ECONOMIC RELATIONS BETWEEN  
WEST ASIA AND SOUTHEAST ASIA

# Institute of Southeast Asian Studies

The Institute of Southeast Asian Studies was established as an autonomous corporation in May 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia. The Institute's research interest is focused on the many-faceted problems of development and modernization, and political and social change in Southeast Asia.

The Institute is governed by a twenty-four-member Board of Trustees on which are represented the University of Singapore and Nanyang University, appointees from the government, as well as representatives from a broad range of professional and civic organizations and groups. A ten-man Executive Committee oversees day-to-day operations; it is ex-officio chaired by the Director, the Institute's chief academic and administrative officer.

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# FOREWORD

Established as a nonprofit autonomous organization in 1968, the Institute of Southeast Asian Studies is a regional research centre for scholars and other specialists concerned with the multifaceted problems of development and modernization, and political and social change in Southeast Asia. In addition to its various research and publication projects, the Institute, every two or three years, organizes a major conference focused on an issue of significant regional and international concern. Past conferences of such a nature have included "New Directions in the International Relations of Southeast Asia", "Questions of Stability and Security in Southeast Asia", and "The Economic and Political Growth Pattern of Asia-Pacific".

Of late, our attention has been drawn to the relatively neglected but nevertheless vital subject of contacts between the countries of Western and Southeastern Asia, especially in terms of promoting a better understanding of their respective national and regional aspirations, economic and social problems, and developmental potential. For instance, what are some of the similarities in the national aspirations and needs of the two areas? Can some of their developmental plans and programmes be synchronized to greater mutual advantage? What would be some of the possibilities and prospects for greater co-operation between the Arab States and Iran on the one hand and Southeast Asia, especially ASEAN, on the other? It was with such questions in mind that the Institute got together a select group of cabinet ministers and other governmental policy-makers, informed academics, and prominent businessmen from these two regions to exchange views on matters of common concern, particularly in the general area of more effective and meaningful economic relations.

The conference on "Economic Relations Between West Asia and Southeast Asia" was held over two working days, and was generally well received. It also stimulated considerable discussion. This discussion, together with the associated papers and reports, forms the basis of the volume that follows.

As is usual with major conferences of this nature, we could not have managed this meeting without the generous support and encouragement of a number of individuals and private organizations. We are also particularly grateful to the Honourable Foreign Minister of Singapore, Mr. S. Rajaratnam, for delivering the

Opening Address and declaring the conference open. Last but not least, we would like to thank all the participants, observers, and the editor, for their respective and valuable contributions and comments. Whilst wishing them all the best, it is clearly understood that the responsibility for facts and opinions expressed in the proceedings that follow rest exclusively with the authors concerned.

15 April 1978

Kernal S. Sandhu  
Director  
Institute of Southeast Asian Studies

**OPENING ADDRESS BY  
THE HON. MR S. RAJARATNAM  
MINISTER FOR FOREIGN AFFAIRS,  
SINGAPORE**

I doubt very much whether a conference such as this one could have been successfully organized even five years ago. Five years ago, West Asia and the ASEAN states had minimal contact with one another. Our relations, and in particular our economic relations, were routed via London, New York, Paris or The Hague. Our dealings with one another, such as they were, were by products of our relations with the Western industrial nations.

This was not a matter of choice but the logical outcome of historical circumstances. Some five hundred years ago, world history was transformed into European history. The European actors were the stars and the rest of the world the two-bit players in a basically European drama.

The European domination of world history has now come to an end. The Western powers still exert the greatest influence in world affairs, but they no longer hold the commanding position they once did. One reason for this is that the developing countries have over the past thirty years moved away from over dependence on the Western world and attempted to establish direct and independent links among themselves.

The Association of South-East Asian Nations (ASEAN), founded ten years ago, is an effort by over 220 million people, through collective effort, to become more self-reliant economically and politically. It is not the aim of ASEAN to become an autonomous, closed economy. Such a goal is neither desirable nor feasible. The interdependence of nations, even if a cliché, is an inevitable process of history. Interdependence requires that national economies come to terms with the imperatives of a global economy. Unfortunately at the moment most nations, including the rich industrial nations, are refusing to come to terms with this reality by a return to economic nationalism. The consequence is that both national economies and international economy are drifting into greater instability and endemic crisis.

Therefore this Conference between West Asian countries and the ASEAN states is sound economic sense. Co-operation between West Asia and ASEAN could, if approached with imagination and

realism, make a significant contribution to the recovery of world economy. It is a rational response to the growing interdependence of nations. I am not saying that it would be possible for the distinguished delegates gathered here to announce at the end of one conference an earth-shaking formula for West Asian-ASEAN economic co-operation. For one thing, the area of mutual ignorance is far too great for this to be cleared in one or two conferences. After all it has taken the ASEAN countries, geographically close to one another, some ten years of cautious association to discover that they have more to gain by seeking out and consolidating those things which unite them than stressing those matters which divide them.

What this Conference can usefully do—and this is the second such conference to be held in Singapore this year—is to seek out a more enduring basis for co-operation between the two areas. I emphasise the need for a more sustained and permanent basis for co-operation than one merely prompted by the day-to-day vagaries of the international economy. If, for example, we in ASEAN define economic co-operation as no more than an exercise to relieve our West Asian partners of as much of their surplus petrodollars as they can tolerate, then not only are we being extremely short-sighted but we are also underestimating the business acumen of our partners.

As this is a point of some importance, perhaps you will bear with me if I make a brief historical digression to put right an image we in ASEAN may have about much of West Asia. Preconceived images about other people play a greater part than we care to admit in the conduct of international relations—and more often than not with disastrous consequences.

For many of us, West Asia conjures visions of very fierce gentlemen in flowing robes who spend their time riding camels and living in tents. Now that oil has brought them inconceivable wealth, we still see them as the same people who now spend their new found wealth on sunglasses and cadillacs. We may feel that they have more money than they know what to do with and that it is therefore our responsibility to relieve them of some of their surplus cash.

If this is the image that influences ASEAN businessmen in their dealings with their West Asian partners they had better think again. It may be worth the while of ASEAN businessmen to read a bit of the history of that part of the world. If they do they will come across a place with the very unlikely name of Dilmun. Most of you have not heard of this place but our Singapore Airlines (SIA) planes stop



there for refuelling. Today it goes by the name of Bahrain. Some 5,000 years ago Dilmun was one of the great trading centres of Asia. Like Singapore, it was then the clearinghouse for the goods of one of the wealthiest trading centres in the world of that time. The great Arab traders and navigators were centred in West Asia and it was one of these navigators who unwittingly changed the course of world history by piloting Vasco da Gama from the Horn of Africa to Goa in India.

I wonder what would have happened to Asian and European history had our Arab navigator misdirected Vasco da Gama to one of the less salubrious islands in the Indian Ocean and convinced the Europeans through Vasco da Gama that Asia was even more poverty stricken than Europe.

Fortunately or unfortunately, the Arab navigator did his job so well that West Asian prosperity went into decline and European history in Asia began.

But the old trading skills of West Asians have not been completely lost as evidenced by the concerted way in which the oil-producing countries have exploited the only resource they had—oil—to their advantage. The lands of camels and desert dunes now flow with wealth and the power that goes with it.

The old trading skills are being rapidly restored and ASEAN businessmen should bear this in mind when building bridges for co-operation between them and their counterparts in West Asia. The bridge must be sufficiently broad for a two-way traffic for a one-way bridge will sooner or later fall into disuse.

If our image of West Asia needs to be revised, so too must the West Asian image of us. I suspect it is as distorted and inadequate as the one we have of West Asia and for precisely the same reason — centuries of indifference and isolation. I do not know exactly what image the people of West Asia have of us but the few West Asians who have come to our part of the world the first time have expressed surprise that we are far more developed and more worthy of note than they had thought we were. ASEAN lands are not all tropical jungles and sloe-eyed, sarong clad maidens swaying with the coconut palms.

However I do not want to unduly disappoint our visitors. There are a few coconut palms still left in Singapore (for those of you who are really interested in botany) and most hotels can whip up sloe-eyed, sarong clad maidens as nightclub entertainment, if you are interested in such things.

But the reality of ASEAN is something different altogether and if you search for it you will find that co-operation between it and West Asia can be as beneficial to both of us as it can be towards revitalising the international economy on whose soundness the fate of all national economies ultimately depends.

One of the minor misfortunes of Southeast Asia is that it is a string of small states wedged between subcontinents with vast populations and great civilizations. There is India, there is China, there is Japan and there is Soviet Asia. For most people these make up Asia. In fact before the war Southeast Asia was indentified variously as Further India, the Indian Archipelago, the Indies and Indochina.

However, economically and geopolitically Southeast Asia and, in particular ASEAN, is of great significance. In terms of land area ASEAN, for example, is not all that small. We are twice as large as the EEC. Our population is larger than that of the EEC and only slightly less than that of the U.S. But when it comes to economic relations what matters is not land area and size of population but resources and the level and quality of economic modernisation. For example, Japan fails the population and land area test but it is today an economic superpower and ASEAN's and West Asia's most important trading partner in Asia.

In terms of national resources ASEAN is more than amply endowed and is an important producer of very crucial raw materials: rubber, tin, timber, rice, palm oil and petroleum among other things. It is not crippled by the kind of intense population pressures and paralysing poverty which unfortunately characterize many developing societies.

For many years the ASEAN countries, despite occasional setbacks, have been experiencing dynamic growth. Their economic performance the past ten years has been well above average for developing countries and this is evidenced by ASEAN's high growth rates, stable currencies and healthy foreign reserves.

According to one estimate, though ASEAN accounts for only 10% of Asia's population (excluding China) its gross domestic product has, on average, been one-fourth that of Asia's and has been responsible for about two-fifth of Asia's total trade.

I apologise for inflicting these statistics but I think they are of great relevance to this Conference on economic co-operation between West and Southeast Asia.

Perhaps one other very important point worth bearing in mind

during your deliberations is the fact of ASEAN itself. When five countries agree to mute their nationalism in favour of a regional approach to economic and other problems, you are dealing with an entity which has come to terms with the irreversible drift of the world towards interdependence. In dealing with ASEAN, you will be dealing with nations which have reached a level of sophistication and maturity beyond narrow nationalism.

This brings me to the point I made earlier—that we must seek a more enduring basis on which to build co-operation between West Asia and ASEAN. ASEAN is going to be around for a long time. So will West Asian wealth by way of oil and the economic development that wealth makes possible. So fly-by-night economic deals are small-time deals. We should instead project co-operation between us in terms of decades rather than in terms of today's passing difficulties.

I would like to sketch out briefly for your consideration a more inspiring backdrop for co-operation between West Asia and the ASEAN region. I would like to take you back to the days of Dilmun when the Indian Ocean, by the standards of that time, constituted a major trading community. I believe it could once again become an even more important trading area, not as a closed and exclusive zone, but as a vital component in the machinery of world trade and finance. It need not, as in the recent past, be a mere extension of Western economy. The community fringing the Indian Ocean is potentially as rich as those skirting any other ocean. The whole of East Africa, West Asia, India, ASEAN, Australia and New Zealand are joined by this Ocean. Even the countries of the Far East regard the Indian Ocean as their highway to trade with Europe, Asia and Africa.

The geopolitical importance of ASEAN lies in the fact that it straddles the Pacific and the Indian Oceans. Since the overwhelming bulk of international trade will, for the foreseeable future, be by sea, (because the sea is all highway given free by nature) the possibilities for developing an Indian Ocean trading community are there if those who live around it will only free themselves from the European concept that the Indian Ocean trade routes must lead only to Europe and nowhere else.

I think it will be easier for ASEAN and West Asian states to co-operate to develop an Indian Ocean trading area. One reason is that our economies are by and large complementary. I do not propose to elaborate on this because most of your deliberations will be

concerned with exploring precisely this aspect of co-operation.

I take it that the basic purpose of this Conference is to determine how the necessary interdependence of nations can be furthered without developing countries losing their independence in the process. The only practical way to do this is for each of us not to become too dependent on a few strong nations but to diversify our interdependence.

Not all goods need come from the rich industrial nations; not all our money need to be banked or invested in Europe; not all our exports need be geared to Western markets and for that matter not all bright, new ideas and initiatives need come from the West.

Admittedly we need the ideas, skills and markets of the rich countries but it is also about time the developing countries made the developed countries feel that they need us too. And they will if the Indian Ocean area can, through its own efforts, transform itself into a thriving and economically dynamic region of the world.

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**KEYNOTE ADDRESS BY  
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**Introduction**

The economic and cultural relations between East and West Asia go back to ancient times. The renowned Silk Route, connecting East and West Asia, is an indication of the historical importance of international trade. Indeed, in the last few years, Chinese archaeologists have discovered a fairly large number of Iranian objects of the Sassanid period in China, indicating not only the close links between Iran and China around 226-642 A.D., but also attesting to Iran's role as an intermediary in the flourishing trade between China and the Byzantine Empire. It is also common knowledge that Mohammed, the great Prophet of Islam, in his youth engaged in international trade between Arabia and the Byzantine Empire. The old Arabic saying "Seek knowledge even if in China" adds further credence to the links that existed in days of yore. There is, moreover, substantial evidence of multifaceted relations between Iran, for example, and China, Thailand, Malaysia and other Eastern countries of Asia in past centuries.

**Unity for a New International Economic Order**

Fundamentally, what changed the situation were the gradual encroachment of Western colonialism and the malignant growth of its political domination of the Asian countries, particularly after the Industrial Revolution. Western interests dictated concessionary arrangements and attempted to eliminate competition, in order to obtain raw materials cheaply for their industries and to sell their manufactured goods dearly. The Asian countries were, in effect, prohibited from selling their products to customers from other nations and, at the same time, were also denied new technologies,



thus preventing them from setting up their own industries, with the exception of processing certain bulky raw materials which were otherwise uneconomic to transport. The colonizers even fought each other in order to increase their share of cheap and secure raw materials and gain access to markets for their exports. As a result, the industrial world prospered, while the Asian nations suffered from the high prices of industrial goods, and low incomes, savings and investment.

In the case of Iran, Russia and Britain did everything in their power to prevent economic development, that is, the establishment of roads, railways, banks and industrial plants. It is indicative of the times that, in a mood of desperation, Nasser-ed-Din Shah, who ruled Iran for fifty years in the nineteenth century, protested that no country was in a worse position than Iran:

If we want to make some improvements that are to our own interest in the south, the Russian Government says that it is done for the British benefit—for example, the question of navigation on the Karun and construction of roads. If such improvements are to be introduced in the north, the west, and the east, then the British protest that we have regard for Russian interests. The projected Quchan road and the Caspian railway repeatedly met with such statements.

The Shah concluded:

Our task has become a difficult one, and it is going to become more difficult every day. Why don't the Russians and the British overtly state that Iran is not an independent State, and that we must do whatever they say?

Even in the twentieth century, Western opposition to the setting up of a steel industry, machine-tool plants and the nationalization of oil in Iran is well known.

A clear example of exploitation was the Western world's interest in building up its own prosperity at the expense of the oil-producing nations.

Precious oil which could be turned into thousands of useful products to serve humanity at large was being wastefully burnt, at incredibly low prices, as fuel in industrialized nations, with the prospect of its total depletion around the turn of this century. It is of interest to note that even a few years ago when the oil-producing