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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.

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ECONOMIC RELATIONS BETWEEN WEST ASIA AND SOUTHEAST ASIA

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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 no 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 cooperate 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.

**KEYNOTE ADDRESS BY
H.E. DR. MANOUCHEHR AGAH
MINISTER OF STATE FOR
EXECUTIVE AFFAIRS, IRAN**

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

countries managed, through united action, to establish a price based on the substitution cost of oil, they were—implicitly or explicitly—threatened by military intervention and various forms of economic sanctions by the Western countries.

Even today while the Western leaders talk of the coming jump in oil prices due to the depletion of the petroleum resources of the world, they nevertheless insist that while the price paid by the consumer should be increased so as to cause savings in the use of oil as well as to encourage development of new sources of energy, the producing nations—they suggest—should be content to receive low prices and consequently face economic disaster when their reserves run out!

While in theory they express belief in the free interplay of supply and demand determining prices, in practice they reserve this for their own products, which they sell to developing countries at increasingly high prices, and believe that their economic philosophy should not apply when their own interests are involved. I may say that, despite all claims to the contrary, the current world price of oil is only about half of its substitution cost, which means economically it is very cheap.

Western domination is not limited to bilateral relations. The international financial institutions are currently dominated in their management and policies by the industrial countries. The creation of the Special Drawing Rights (SDRs) permitted a deliberate increase in international liquidity, but the lion's share of the increase has been going to the industrial countries which have large quotas. These countries have consistently opposed a fairer distribution of international liquidity by proper adjustment in quotas and by linking aid to the creation of new SDRs. Even the new credit facilities of the International Monetary Fund (IMF) were set up outside the quota system, so that the more wealthy of the developing countries which were making financial contributions relatively larger than the richer industrial countries could not have a bigger voice in the management and policies of the IMF.

The breakdown of the Bretton Woods system has worsened the situation. The industrial countries believe they can follow flexible domestic policies and let the exchange rate adjust to the situation. The result has been a high rate of inflation (which started before the adjustment in oil prices), domestic unemployment (amounting to over six million in the European Economic Community alone), a slowdown in rate of growth, sharp fluctuation in prices of raw

materials, and the transfer of inflation to hard-hit developing countries. The industrial countries initially opposed the creation of the regional development banks in Africa and Asia; they have also resisted the efforts to stabilize prices of raw materials, reduce trade barriers on manufactured exports of the developing countries, reduce their external debt burden, and ease the transfer of resources to these countries.

The Sixth Session of the United Nations General Assembly unanimously approved the Declaration and Programme of Action for a New International Economic Order, but the follow-up discussions in the Fourth United Nations Conference on Trade and Development (UNCTAD) in Nairobi and the recently concluded North-South Dialogue in Paris produced little result. In a revealing secret cable to the Dutch Foreign Ministry, published in the *Times* of 4 December 1976, the American State Department stated that in the view of the U.S., the Paris Conference had been organized to exert pressure on oil-exporting nations, especially through the oil-importing developing countries, against the adjustment of oil prices. In other words, the chief objective was to divide the developing countries and set the nonoil-producing against the oil-producing nations. Fortunately, this policy of "Divide and Rule" did not succeed, and the solidarity of the developing countries could not be destroyed. If anything, the success of the Organization of Petroleum Exporting Countries (OPEC) provided hope and strength for other developing nations in their struggle to change the *status quo* in favour of establishing a more equitable economic order.

The OPEC members not only managed to establish their sovereignty over their most important natural resource; they also called for a systematic, and increased, transfer of resources to other developing countries. A specific proposal submitted to the Sixth Session of the United Nations envisaged annual assistance to developing countries to be made equally by the industrial and oil-producing countries, and managed on an equal basis by the developed countries, the oil-producing nations and other developing countries. As this did not materialize, due mainly to the lack of positive response from the industrialized countries, OPEC members took the initiative of setting up the OPEC Special Fund to give untied interest-free assistance to other developing countries, and the International Fund for Agricultural Development. They have also pressed for the establishment of the Common Fund for commodities. In addition, the members of OPEC took individual

initiative in organizing extensive programmes of bilateral and multi-lateral assistance to other developing nations.

During the period 1974–75, Iran alone committed itself to more than US\$10 billion worth of assistance to other countries, despite its own increasing requirements and the fact that it had to resort to international borrowing. Saudi Arabia also has given a similar amount of aid to other countries. While the volume of foreign assistance by the developed countries has amounted to less than 1% of their gross national product, some of the OPEC members have contributed around 10% of their Gross National Product (GNP) as aid to other countries.

The conclusion to be drawn from the above is that only by their united efforts can the developing countries exert sufficient pressure to bring about a more just economic order. The industrial countries, which benefit from the existing system, will not easily give way to a change. The developing countries must support each other in increasing their role in the management and policies of the international institutions and should not allow the developed countries to play them off—one against another. A small example of what was achieved by their unity in the Paris Dialogue was the declaration by Canada (followed later by Sweden, the Netherlands, and Finland) of the cancellation of debts owed to them by some of the developing countries.

Economic Co-operation Between West Asia and Southeast Asia

Moving now to the narrower field of economic relations between West Asia and Southeast Asia, there is much that these countries could do specifically and beyond a united effort to bring about a fairer international economic system. These countries can promote closer economic co-operation, and they can learn from each other's experience in different fields.

As far as trade is concerned, much can be done to expand relations between these Asian countries. In the past, international trade has been substantially dominated by the transnational companies (TNCs), supported by their home governments. This can be remedied only by more enterprise and marketing and a more active role played by the commercial representatives of the Asian countries. To promote such trade, the banking system could be directed to offer the necessary financial support in order that Asian traders could face competition from developed countries on an

equal footing. An example in this field is the creation of the Asian Clearing Union, based in Tehran, which aims at easing the foreign exchange problems of trade between member countries.

Another measure is the establishment of preferential tariffs between Asian countries. Under the Regional Cooperation for Development, Iran, Turkey and Pakistan have a ten-year plan to implement this system gradually. The Bangkok Agreement, concluded in 1975, also called for similar arrangements between the contracting parties. This can be a beginning for the creation of an Asian Common Market in a later period.

Another field for co-operation is investment. While increasing employment and income in the recipient country, investment can give a secure source of supply to the investing country. To reduce intergovernment frictions, these investments can often be on a tripartite basis—that is, each side holding minority shares, with a mutually acceptable financial institution holding the remaining third portion. In the case of Iran, we have begun co-operation in fields such as oil refineries (India and Korea), iron ore (India), fertilizers and aluminium (Indonesia), fisheries (Korea), and live-stock and shipping (Australia).

There is also considerable room for co-operation in the field of larger industries. Such industries have an optimum size which is often larger than the domestic market's. Based on their natural endowments, the Asian countries can develop a mutually beneficial form of specialization by setting up economically viable industries to supply each other. Petrochemicals, steel, shipbuilding, shipping and air-services are but a few examples for such co-operative efforts. Iran, Turkey and Pakistan, in the context of Regional Cooperation for Development, have taken a few steps in this direction.

Asian countries can also co-operate in the banking, insurance, and contracting businesses. In recent years, some developing countries have made healthy inroads in these fields, which were previously a monopoly of companies from industrial countries. Special treaties to avoid double taxation could facilitate such co-operation.

Despite the development in air and sea traffic, the road and rail connections between Asian countries are not conducive to facilitating the movement of goods and people between these countries. The Asian Highway was a significant step towards remedying the situation. In their domestic transport policies, the

countries of the region should give greater emphasis to facilitating land, sea and air communications with each other.

Today, tourists from the Asian countries have, for the most part, been going to Europe and America. There is no reason they could not learn and appreciate more of each other's history, life and culture, and as a consequence create more prolific tourist industries generating capital in this region rather than in the West. In this field, the travel agencies which arrange organized tours could be encouraged to place greater emphasis on arranging tours to other Asian countries.

It is no secret that, in their international contracts, the developing countries are often qualitatively cheated and substantially overcharged. The Asian countries can exchange experiences on the quality and price of goods and services purchased, and black-list flagrant offenders so that such exploitation is minimized.

In the field of manpower, the countries of Asia can supplement each other's requirements. Efforts towards liberalizing visa and labour permits can facilitate the flow of manpower to where there is a greater demand and higher income. While this will lead to fairer distribution of incomes, it will at the same time reduce the inflationary pressure in one country and underemployment in the other. In this field, Iran in recent years has had useful experience with Korea, the Philippines, India, Pakistan, Sri Lanka and Afghanistan.

Learning from Asian Experience

The countries of West and Southeast Asia can also learn much from each other's experience.

It is important to note that we cannot always copy Western technology. Indeed, it is much more preferable to develop and adopt such technology to locally suitable forms. This, however, necessitates investment, often considerable, in the research and development phases of adoption. The Asian countries can co-operate in exchanging their experience in these fields. The International Rice Research Institute in the Philippines and the Technonet in Singapore are examples of such co-operation.

Another key element to be considered is that there can be no steady and balanced rate of growth without greater social justice. On the one hand, there must be sufficient incentives for people to

show enterprise and bear risks, and to be rewarded for their courage and good judgement. On the other hand, a fairer distribution of income is required, not only to achieve greater social and political stability, but also to provide an expanding market for a growing economy. In this respect, it is important to select the type of measures which would contribute to greater equality without becoming a deterrent to economic growth.

We should also bear in mind that the extension of welfare must be in line with the stage of growth. While, in the industrial world, the extension of social welfare services to larger sections of the population usually accompanied economic development, many developing countries in recent years have tried to adopt generous welfare standards before achieving the necessary institutional, technological and productive capabilities. This, I believe, has been a contributing factor towards social instability.

Another lesson is the need for a clear demarcation between the size and scope of public and private sector activities. Irrespective of variations in national preferences, the borderline should be clear and relatively stable over time. This separation of powers and responsibilities of the two sectors is needed to give free enterprise and individual initiative the type of confidence and protection necessary for continued private savings and investments. It is also needed to prevent the State from assuming new responsibilities without prior expansion of its technical and managerial capability.

In the early stages of economic development, the State is usually required to take a lead in all fields of activity. As the process of development gathers momentum, things become increasingly more complicated, and it becomes essential to decentralize—geographically as well as administratively—the decision-making system, so that individual initiative and enterprise can be fully utilized for the benefit of society as a whole. The majority of decisions should be left to the individuals immediately involved. These are best informed and motivated to find proper solutions. In other words, central authority should increasingly be delegated to provincial and local levels and popular participation in public affairs should be encouraged through local councils.

Perhaps the most important lesson we can learn from past experience is that the key to economic development lies not so much in abundant natural resource endowments as it does in advanced management, modern technology, and enterprising human endeavour. In different periods of history, Britain, Germany,

Japan, Taiwan, Korea and Singapore have proved this point. And my own country, Iran, reached the height of political power, scientific advancement and efficient public administration prior to the discovery of oil. In other words, the biggest challenge to the economic development of the Asian countries is the administrative and educational reform which would provide the needed environment for enterprise and initiative in development efforts.

In a somewhat insecure world, there can be no steady rate of development without political stability and a sense of security. This means that the Asian countries can, through increased co-operation, achieve regional security. Thus the littoral States of the Persian Gulf and the Indian Ocean can co-operate to ensure the safety and freedom of navigation on these vital sea routes, free of Big Power rivalries, bases and nuclear weapons. If, for example, a peaceful settlement, based on the Resolutions of the U.N. and the rights of the Palestinian people, is achieved, substantial resources could be diverted from military to development purposes, providing for a higher standard of living as well as increased foreign assistance.

Conclusion

I have been talking of the need for Asian countries to make a united effort towards achieving a new international economic order. I have indicated some fields for increased economic co-operation, and have suggested certain lessons which we can learn from past experience. A prerequisite of all these is greater political understanding and tolerance of other countries' problems and interests, and a recognition of the growing interdependence of the world community. In the final analysis, mankind must learn that equality, justice and adequate standards of living are sought by all—irrespective of national, regional or continental boundaries. I am moved to recall the words of the famous poet, Sa'di, who several hundred years ago wrote, "Human beings are members of one body; if one limb hurts, the other parts of the body cannot rest in peace." If our countries can pursue appropriate policies individually and increase their collective co-operation, we can move towards a better, more just and equitable world order. I am optimistic that we can achieve that.

WEST ASIA AND SOUTHEAST ASIA Sharing Common Concerns

Lim Joo-Jock

Introduction

This paper will examine and discuss what are perceived to be the main similarities and differences in problems faced by the countries of West Asia and Southeast Asia.¹

The purpose here is not to give a detailed recounting of current events nor to present economic data, both of which can be more thoroughly pursued elsewhere. The aim instead is to attempt to outline wider comparative patterns and to draw broad but valid comparisons between the two regions, to point to the contrasts, and, within this wider framework, to suggest themes which could serve as springboards for further study and discussion. Generally, the attempt is to seek for, and weave into a coherent pattern, what are perceived to be the more enduring aspects of the comparative situations encountered in the two regions. These are divided into two categories: first, those of a political and social nature, forming a background to current economic affairs of the regions; and, second, those pertaining to the comparative economic situations in the two regions.

Some Earlier Historical Aspects of the West Asia-Southeast Asia Relationship

In considering the historical relationships that have existed

¹ West Asia is defined, for the purposes of this paper, as the area comprising the Arab States of Bahrain, Iraq, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE), and Iran. These are primarily the littoral countries of the extension of the Indian Ocean which separates Iran from the Arabian peninsula. The region of Southeast Asia is defined as consisting of Brunei, Burma, Indonesia, Kampuchea, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Within this region, however, the focus of attention will be the member countries of the Association of Southeast Asian Nations (ASEAN), namely, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

between the various parts and cultures of West Asia and the peoples of Southeast Asia, cognizance should be given to some major factors that have coloured and given direction to the relationship through its various phases. These were, firstly, the historical trade patterns and the lines of exchanges with continental overland caravan routes stretching from Sian in China through the intervening parts of Central Asia to Persia,² the rest of West Asia and beyond to Europe. Second, there were the sea routes. It was along these maritime trade routes that West Asian and Southeast Asian contacts were most discernible, with the traders of what is now the Indo-Pakistan-Bangladesh region playing a major, perhaps crucial, role in these contacts and in the mutually beneficial exchanges. The sea-faring peoples of what is now western Indonesia were also important in the East-West trade, characterized to a marked extent by transshipment, with each stage dominated by one ethnic group. The traders came from the Arab lands, the coastal regions of the present-day Indo-Pakistan region, Persia,³ the peoples of the Malaysia-Indonesia archipelago and the Chinese. The fifth century saw the rise of western Indonesian trading and sea-faring efforts.⁴ For a sustained period the Arabs were the navigators and sailors of the Indian Ocean. And, to this day, the coasts of Arabia and the Iranian coast are inhabited by sea-faring peoples.

In this trading zone there were two main subtracts. These were the zone covered by the routes between Southeast Asia and present-day Indo-Pakistan, and that covering the regions between Indo-Pakistan and West Asia. Eastwards again there was the Southeast Asian trade with coastal Southeast China and westwards the trade between West Asia and the Mediterranean and beyond. In addition there was, of course, with various interruptions, the well-known and previously mentioned inland silk route between North

² In this paper, the term "Persia" is used to denote the country in historical times. In the modern context the name "Iran" is used.

³ G. Coedes cites the appearance of Arab and Persian traders in Chinese ports from the beginning of the T'ang Dynasty. *The Making of Southeast Asia*, translated by H.M. Wright (London: Routledge and Kegan Paul, 1966), p. 49. Arab and Persian merchants gave accounts of, and trade for, Southeast Asia between the sixth and thirteenth centuries, op.cit., pp. 71 and 113.

⁴ For a discussion of the role of Arabs, the inhabitants of the Indo-Pakistan region, Persians, Chinese, West Indonesians and Malays in this east-west trade, the goods they traded in and transhipped, see. O.W. Wolters, *Early Indonesian Commerce: A Study of the Origins of Srivijaya* (New York: Cornell University Press, 1977), chapters 9 and 10, pp. 129-158.

and Northwestern China and Persia.

Contact between West Asia and Southeast Asia was essentially sea-borne on a west-east orientation and along an oceanic axis using the seasonal and normally dependable oscillation of the monsoonal winds traversing the Arabian Sea and the Bay of Bengal.

Historically, Arab interest in, and knowledge of, the region of Southeast Asia lying to their east was more extensive and more intimate than their interest and knowledge of the regions of Africa to their south. Climatically, too, Southeast Asia suited these early Arab sailors. Detailed, if not always correct, information on Southeast Asia, was compiled by Arab navigators describing sea-routes, islands, landmarks, and ports of call.⁵ Madagascar to the south and its environs, by contrast, were not known in such detail as shown regarding Southeast Asia. In fact, the regions south of Madagascar were a kind of *terra incognita* to the Arabs of the pre-Portuguese era. Arab navigational opinions differed on Madagascar's position "because it only borders on the inhabited regions of the world, and the occupied climates of the world, hence there is an element of doubt about it."⁶ To the south of Madagascar, the seas and the coasts were to the Arabs "the beginning of the Southern Dark regions."⁷

The marked differences in physical environment between well-watered and perennially humid Southeast Asia and an arid and largely semidesertic West Asia resulted in wide differences in the natural produce of the two regions and gave further impetus to the historical trade that was carried on. In the overall exchange, however, it was the flow of raw materials from Southeast Asia that formed a major part of this two-way movement. The two regions formed links in a wider trade pattern in which, among other things, textile from the Indic subcontinent was carried to Southeast Asia, and Chinese porcelain ware moved to Southeast Asia, West Asia

⁵ G.R. Tibbetts, *Arab Navigation in the Indian Ocean Before the Coming of the Portuguese* (London: The Royal Asiatic Society of Great Britain and Ireland, 1971), pp. 472-503, he being a translation of "Kitab al-Fawa'id fi usul al-bahr wa'l-qawa'id," of Ahmad ibn Majid al-Najdi.

⁶ G.R. Tibbetts, *op.cit.*, p. 218, quoting from "The Tenth Fā'ida: On Islands" of Ahmad ibn Majid.

⁷ *Op.cit.*, p. 219.

and beyond.⁸ Besides porcelain, West Asia also imported Chinese silk, paper, medicinal stuff, and skills such as those represented by Chinese engineers, agronomists and workers of marble.⁹ A portion of this movement passed through Southeast Asia.

Added to this difference in climatic environment was the later accretion of cultural and religious factors which dictated that certain items of food and certain products be used. Thus, as a minor example, Iraq is today the major supplier of the dried fruit of the date palm to Indonesia and Malaysia, with Singapore as the importing and distributing centre. These dates are an important food item during the Muslim fasting month of Ramadan.

Islam and the Two Regions

The second factor in the pattern of linkages between the two regions was, and is, that of Islam. Islam spread along existing trade routes, and the new religion was carried to nearly all inhabited coastal tracts of insular Southeast Asia. Generally, mainland Southeast Asia was not affected, though there exist Islamic pockets of historically later conversion, such as those along the Arakan coast of Burma and the enclaves of the Chams of Indochina. The strong Arab and Islamic influence on insular Southeast Asia is well-known. West Asian influences did also reach up to the Buddhist kingdoms of mainland Southeast Asia though the effects there were far less consequential.

The evangelistic tide of Islam did not convert Hinduistic Bali nor penetrate into the remoter parts of the Indonesian archipelago. Then, except for its far South, the Philippines is largely Christian, again another sea-borne religion travelling from Catholic Spain via Mexico and the trans-Pacific Acapulco galleons to reach Southeast Asia from the other direction. The Southern Philippines, and the Southernmost provinces of peninsular Thailand and East Java now

⁸ For goods trade in, and transhipped by, the ancient empire of Srivijaya in this China-Southeast Asia-South Asia-West Asia trade, see O.W. Wolters, *op.cit.*

⁹ The variety of goods imported into West Asia are indicated in a mid-ninth century list of imports into Iraq which appears in *The Investigation of Commerce*, a pamphlet attributed to Abu 'Uthman' Umar bin Bahr of Basrah, surnamed al-Jahiz (who died in 869 A.D.). Quoted by George G. Thomson, "The Re-emergence of the Arab Countries in the Politics, Economics and Culture of the World," paper presented at a conference on *The Arab World—Business Opportunities for Asian*, Compa International, Singapore, June 1977.

form the furthest significant marches of Islam in the East,^{10, 11} and have been the basis of modern West Asian, chiefly Arab, interest in Southeast Asia.

Besides Islam, another factor in the evaluation of West Asian and Southeast Asian contacts was that of an all-pervasive Western imperialism. The links between West Asia and Southeast Asia were much reduced, but never obliterated, by the epoch of Western imperialism. Western sea-borne intervention in the Indian Ocean and its environs coincided with a decline in the international fortunes of Islam. The process began in Southeast Asia with the Portuguese reduction of the Islamic religious, commercial and military stronghold of Malacca in 1511. It eventually concluded with political and military hegemony by the British over much of West Asia itself.

In the period of Western conquest, a largely Islamic Southeast Asia received help—cultural, moral and also physical, though infrequently—from Arabs and other Muslims, even during the high wave of Western military and political intervention. At the level of international relations, there is the example of Mataram. In the 1630s, the central Javanese state of Mataram reached out and developed ties with the Muslim powers of Arabia when it was under severe Dutch pressure. The Sultan of Sulu, a stubborn resister of Spanish encroachment, revised the Sulu code of laws and translated Arab texts, including parts of the Quran, into the Sulu language in the early eighteenth century. The resistance of Aceh against Dutch encroachment continued into the twentieth century and was to a large extent buttressed by the morale imbued by Islam and by limited Turkish contacts. It should be noted also that the white adventurers under the first Rajah Brooke of Sarawak complained about the “Arab sherifs” who were said to foment and give leadership to resistance in Sarawak which was portrayed mainly as acts of lawlessness and piracy. For Islamic Southeast Asia, religion was, and still is, a stiffener for cultural and nationalistic resistance to foreign intrusion and for cultural and political resistance to the encroachment of physically contiguous but culturally disparate majority and minority groups.

¹⁰ For a cartographic presentation of the spread of Islam, see compiled by H.W. Hazard, *Atlas of Islamic History* (Princeton: the University Press, 1954).

¹¹ Southeast of Bangkok, in Minbori district, there are ethnic Thais who observe the tenets of Islam. The Muslims of Thailand's far South are ethnically Malay.

In the period of quiescence under colonial rule, Islamic, and West Asian influence, over parts of converted Southeast Asia continued—albeit in modulated form—with a religious and cultural hearkening to the centres of Islam, whether it was manifested in the annual Haj to Mecca, or the training of young Malay and Javanese Muslim religious teachers in the Arab universities (including those outside our definition of West Asia, such as Egypt's Al-Azhar). In this case, the returning teachers were instrumental in the hardening of orthodox Islamic values and the weakening of pre-Islamic Hinduistic and animistic practices even in remote rural areas, such as the padi-lands of Perlis in the extreme northwest of Peninsular Malaysia. Currently, it is estimated that Malaysia alone has about 1,000 students studying at various levels in the "Middle East".¹² It is to be noted that the resurgence of Arab nationalism and the recent rise of Islam as a factor in global affairs has coincided with increased Arab interest in the Islamic problems of Malaysia, Indonesia and the Philippines, and also in Thailand.

Some Other Relationships

The colonial era for Southeast Asia can be said to have begun to disintegrate in 1941 with the Japanese invasion of Burma, Malaya, the Philippines and the Dutch East Indies consequent upon their earlier occupation of French Indochina. But a new period of West Asian-Southeast Asian relationship began only after 1973, when the major oil-exporting nations grouped under OPEC, the core of which lay geographically around the arm of the Indian Ocean between Iran and the Arabian peninsula, reversed the trend towards a near complete and apparently unassailable economic hegemony of the industrialized nations over the rest of the world.

With the economic power brought about by a generally fourfold increase in oil prices in 1973 and the political confidence that went with it, Arabs and Iranians began to take a renewed political and economic interest in the affairs of Southeast Asia. Examples of this can be seen in the 1974 UAE offer to finance an educational system up to tertiary level for the Muslim South of Thailand, and Saudi Arabian, Iranian and Kuwaiti interest in economic and commercial projects, including shipping and shipbuilding in Singapore, and

¹² For comments on Islam and politics, see Mohamed Natsir, "Some Observations Concerning the Role of Islam in National and International Affairs," Cornell University, Southeast Asia Programme, New York, 1954.

various large-scale projects in Malaysia. At a different level, there has been the general Arab interest in the problems of the Muslims in the Philippines.

Although direct contacts, both commercial and political, between West Asia and Southeast Asia have increased markedly since 1974, the overall situation is such that the countries in both regions, with exceptions such as Vietnam and Iraq, still look separately to the West¹³ for trade, development opportunities and general models around which they can fashion their own political, social and economic futures and aspirations. However, admiration and emulation have often been followed by disillusionment, rejection, and even hostility in some quarters.

In the colonial era, the two regions, West Asia and Southeast Asia, to all practical effects and purposes turned their backs to one another. This kind of pattern was also discernible within each of the two regions. Before the Pacific War of 1941–45, Manila looked to the U.S., the Vietnamese elite to Paris, the small middle-classes of the territories that now comprise Burma, Malaysia and Singapore looked towards London and were, like many fellow Southeast Asians, often ignorant of or ignored in the main events taking place around them in the region. It has been noted that the colonial powers, for imperial strategic reasons, discouraged overland intercourse between their colonies. The sea linked them to the metropolitan country instead. Within individual countries, for example, railways “focussed on, and fed into, the sea pattern ... like tap roots” to nourish the colonial ports.¹⁴ In West Asia, Iran, Iraq, Saudi Arabia and the smaller coastal states tended to look more towards the hegemonic power centred in Whitehall than to regional centres during this period between the two World Wars. An observer says of Iran that it “had been shut off from Asia for nearly 150 years largely due to the European colonial presence. Up to 1970, Iran’s diplomatic representation east of New Delhi was confined to Tokyo, Jakarta and Bangkok.”¹⁵ This tendency in West Asia to look

¹³ Defined here as the highly industrialized rich nations, including Japan.

¹⁴ George G. Thomson, *Problems of Strategy in the Pacific and Indian Oceans* (New York: National Strategy Information Centre, 1970).

¹⁵ Amir Taheri, “Policies of Iran in the Persian Gulf Region” (originally prepared as “The Persian Gulf—the non-Arab Littoral”), in Abbas Amirie (ed.), *The Persian Gulf and the Indian Ocean in International Politics* (Tehran: the Institute for International Political and Economic Studies, 1975), pp. 259–286.

outwards mainly to the West apparently still remains, reinforced as it is by the growing overseas trade of each country and with a pattern in which each country looks for external, almost wholly Western, sources of military hardware.

Some observers will probably maintain that an over-dependence on any one group of sources for a vital need may create a dependency syndrome and may need to be rectified to a certain extent perhaps by indigenous manufacture of the less complicated weapons and through the diversifying of arms sources.

In order to examine more closely the general problems, the development and the aspirations within both West Asia and South-east Asia, it would be useful to view these against the overall backdrop of the relationship between the developed world and the less developed world, and in the context of the continuing interaction, political and economic, between industrialized and rich on the one hand and less industrialized (or nonindustrialized) and poor on the other.

Of the various facets of this relationship, that pertaining to colonial domination and subsequent withdrawal of imperialism forms a basic feature common to the development of both regions. It would be worthwhile to outline briefly the geopolitical patterns emergent in the wake of colonial retreat.

Although both regions experienced the colonial imposition, in Southeast Asia direct colonial rule was the pattern. Only Thailand retained its independence. In West Asia, the pattern differed in that the nations and sheikhdoms there were in most cases not formally occupied as colonies, but the imperialist influence, manifested both politically and economically, was strong. In Iraq and the small sheikhdoms, this imposition was reinforced by a firm British military presence. In Southeast Asia, four western colonial powers—the U.K., U.S., France and Holland—divided up the region between themselves. In West Asia, by contrast, Britain alone was the dominant external power though it had nevertheless to contend with French and Soviet interests encroaching on the northwestern and northern fringes of the region respectively. The power base for British influence in West Asia was undoubtedly the resources controlled by the British Raj in India. Thus for both West Asia and Southeast Asia, an understanding of their situations would be usefully supplemented by a knowledge of past and present events in the intervening Indo-Pakistan subcontinental region.

Imperial influence played a crucial role in the internal stability

of the two regions. In West Asia, particularly, British influence was in fact manifested as a *Pax Britannica*. Southeast Asia was then a zone of apparent political stability with the various colonial policing presences stilling historical, ethnic and religious animosities within the political arena. But, increasingly, evidence now points to the fact that much restiveness remained especially in rural areas.

The retreat of imperial influence in both regions laid bare these old national, ethnic, cultural, and linguistic cleavages which have on occasion, since the colonial ebb and in the post-Vietnam War period, resulted in friction, tension and even isolated eruptions of outright hostilities. Colonial decay and imperial withdrawal were followed closely by assertions of national pride openly manifested in regional and national politics which had earlier been dampened or suppressed by the strong colonial military presence.

Superpowers, The Sea and Geopolitical Concerns

Geopolitically, both regions face a real or imagined threat of a *Drang Nach Suden* from the two giant communist powers to their north. To Iranians and Arabs, historical interpretations point to a Soviet temptation to extend political and military influence southwards to the Indian Ocean. In the case of Iran, there has been actual, though temporary, military occupation of its fertile northern Caspian littoral lands, after the Second World War. Soviet military and political influence, and the alleged use by a Russian flotilla of naval facilities in Iraq, are not viewed with favour by either Saudi Arabia or Iran. All these seem to indicate a desire of the Russians to shift their influence, or even physical presence, southwards into the region.

In this context, increasingly, militarily powerful Iran and Saudi Arabia may inherit the long held stance, of the old British Indian Raj, to keep the Russians well away from the warm waters of the Indian Ocean and its various bays and gulfs. However, Iran also relies diplomatically on co-operation in economic matters to achieve a smooth relationship with the USSR. Examples of this co-operation are the construction of dams as joint ventures in the border regions, and, importantly, the piping of Iranian gas to the Soviet Union, which in turn will market its own gas from fields nearer Europe to West Germany, France, Czechoslovakia and Austria.¹⁶ However,

¹⁶ See Abbas Amirie, "Iran's Foreign Policy Posture Toward the Persian Gulf and the Indian Ocean," paper prepared for the Institute for International Political and Economic Studies in Tehran, May 1977.

incidents such as the alleged Soviet threat in 1976 to support insurgencies within Iran if a defecting Soviet aircraft used for agricultural purposes was not returned by Iran may have added fuel to fear of the power to the north.

In Southeast Asia, a previously held fear of a Chinese move southwards coloured both colonial and independent governments' policies, and the policies of extraneous interested powers, notably the U.S. and Australia, for a considerable length of time after the formation of the People's Republic of China (PRC). Thailand's firmly anticommunist and anti-PRC stance during the period of its military government which lasted to just after the fall of South Vietnam, Malaysia's attitude under the leadership of Tunku Abdul Rahman and Suharto's Indonesia are examples of this kind of policy, buttressed by extraregional powers.

Most countries of both regions are not in direct physical contact with the superpowers to the north. Iran has borders with the USSR and in fact acts as the buffer for the West Asia region. The countries of Southeast Asia are similarly buffered from China by a neutralist and mountainous Burma on the one hand, the mountains of Northern Laos and a communist Vietnam on the other. This is a Vietnam which, although not openly anti-PRC, has none the less repeatedly shown its independence of Chinese policies. Nevertheless, this phenomena of a *Drang Nach Süden* must always be borne in mind when examining the situations in West Asia and Southeast Asia. It goes some way to explain a clinging, seldom if ever publicly acknowledged, reliance on U.S. power—notably naval power—despite what many Southeast Asian politicians might say.

If Vietnam is itself assumed as having a possible urge to move south or to extend its political and economic influence to Laos and beyond, then the economic and any future political and military cooperation of ASEAN fall into the general pattern of behaviour exemplified by a concern with northern continental powers, postulated here.

Iran's plans of a massive move, industrially and population-wise to its hot, less favoured southern coastal regions has considerable geopolitical significance in this context, for it means moving the centres of Iranian population and industry to a hitherto thinly populated south, mountainous and arid, but mineral-rich and with access to the sea and the world and thus less hemmed in by constraints imposed by the superpower to the north. It is envisaged that the majority of Iran's estimated population of sixty millions at

the end of the century will be living in the country's southern half. Reportedly massive port developments are underway, rail centres are moving south, and what are described as vast industrial undertakings including steel and petrochemical projects are planned, as well as new cities and the large scale tapping of underground water reserves. Illustrative of the modernization of the south, Iran has constructed two large nuclear power plants at Bushehr on the coast. Thus the port of Bandar Abbas, on the Straits of Hormuz, has had its population increased from below 12,000 in 1960 to approximately 200,000 in 1974.¹⁷ Seldom in history has a nation made a move on such a scale to shift its population and economic core areas to zones deemed as providing greater safety. It can be seen strategically also as a move from a landbound centricism to a seaward outlook.¹⁸ Going hand-in-hand with a naval buildup, Iran's renewed interest in maritime affairs can best be summed up in the Shah of Iran's statement that the "sea knows no frontiers."¹⁹

Seen in this context both regions tend to be seaward-looking—economically, politically, ideologically and strategically. They are generally not continentward-looking, or rather are continent-looking only in their concern about potential hostility, possible aggression or aid for insurgencies from that direction. Even Vietnam's closed political and social system looks across the seas to Western Europe and Japan for aid—fiscal and in materials—for its rehabilitation.

While in Southeast Asia this outlook is underlain by a maritime security overseen by the U.S. navy, with no dominating indigenous naval force, in West Asia, Iran has begun energetically to take on the role of the leading regional, and even the Indian Ocean, naval power. Iranian loans to Pakistan and India and to Sri Lanka and beyond are a feature of Iranian diplomacy. This outward-reaching global fiscal diplomacy, countering to some extent the dominating

¹⁷ Amir Taheri, *op.cit.*

¹⁸ In Vietnam, population pressure on land resources in the North and relatively plentiful land and water resources in the Mekong Delta of the South, form the framework for a planned population relocation on a massive scale aimed to correct the imbalance. This emphasis towards the south brings Vietnam deeper into Southeast Asia at the same time moving some of its centres of industrial and population gravity away from the giant PRC to its north. For comments on population relocation and Vietnam's New Economic Zones, see *Asiaweek*, 22 April 1977.

¹⁹ Abbas Amirie, *op.cit.*

economic relations with the West is also a feature of Saudi Arabian, Kuwaiti, and UAE foreign policies. Saudi Arabia has actively taken part, using the fiscal instrument in Arab world affairs. Currently Saudi Arabia is reported to be diluting its links to the West and looking with growing interest on the Afro-Asian world. It has announced US\$1,000 million worth of aid to Africa.²⁰ All these reflect the extent of wealth accruing from the sea-borne exports of mineral oil.

West Asia and the Arab world have been described as a “shatterbelt” with many diversities and with little likelihood of one regional power centre unifying and dominating the entire region.²¹ Southeast Asia tends to be less positively involved in external issues, in this respect reflecting generally poorer economies. Yet similar to the picture of a West Asian “shatterbelt”, the Southeast Asian “island of stable peace” of the colonial era too showed signs of balkanization after the Second World War. ASEAN, however, has the potential to arrest this process.

Finally, West Asia and Southeast Asia share a common concern for the sea, ever since the Portuguese seized the choke points of Hormuz and Malacca. Southeast Asia is maritime and the arm of the Indian Ocean between Iran and Arabia gives the littoral states there a stake in the Indian Ocean and access to trade and maritime independence. Whilst Southeast Asia is fragmented by the sea, rendering sea transport essential, West Asia is a land mass penetrated deeply by an arm of the Indian Ocean, along the shores of which states jostle for access to the seas and a sea frontage, however narrow. For both regions, it is vital that their oceanic approaches are not controlled by a hostile naval power. For both regions but especially Southeast Asia, the sea has meant trade, wealth, religion, and culturally uplifting forces. Significantly also for both regions, the sea has seldom afforded protection from foes. More often than not the sea has facilitated invasion and conquest.

Some Aspects of Economic Interaction Between the Two Regions

The differing regional environments and the reliance on oceanic transport for trade—vital to the existing economies of all countries concerned except possibly for Burma, Kampuchea and Laos—point

²⁰ *The Mirror*, 11 April 1977.

²¹ S.B. Cohen, *Geography and Politics in a Divided World* (London: Methuen, 1964), pp. 236-238.

to a considerable potential for Southeast Asian and West Asian co-operation. These opportunities for possible forms of trade arising from very different geographical environments is in a manner symbolized in an imaginative Malaysian plan to ship potable water from the abundant sweet-water rivers of its west coast to the water-short UAE and Saudi Arabia, using the heavy traffic of empty tankers returning to the oilfields from Japan via the Malacca Straits.

Another framework within which the two separate regions can be usefully examined is that of the overall relationship between the developed world on the one hand and the developing and under-developed worlds on the other. It has already been pointed out that countries in both regions, with a few exceptions, tend to look to the West for sources of knowledge and for the models of development. The trade of both regions is overwhelmingly with the West, with the U.S., Japan and the European Economic Community (EEC) countries taking the bulk of the exports of both West Asia and Southeast Asia as well as supplying the manufactures, much of which only they can supply, due to their high level of industrial sophistication. West Asia and the ASEAN states of Southeast Asia are tied crucially to the world trade system.

Generally, despite its very large oil revenues, and high per capita incomes, much of West Asia, can be classified as a developing region, generally marked by a considerable need to uplift and broaden the base of educational facilities, solve rural poverty and the lack of industrial and professional skills. However, within the region, some differences occur. Saudi Arabia, Kuwait and the UAE are oil-rich with large surplus petrodollar accounts which cannot be absorbed by their present economies. Iran and Iraq also have large incomes from oil but their funds can to a large extent be used internally, their larger populations and economies generally being in a better position to absorb large and rapid investment inputs.

The booming economies of the region provide a market for the skills available in other parts of Asia. Iran uses thousands of Pakistani and Indian medical doctors. South Korean skilled construction workers and Taiwan technicians are much sought after in Saudi Arabia. Singapore port technicians at all levels are employed to upgrade port-handling services in Saudi Arabia²² whilst

²² As the world's fastest growth area, good traffic to and from West Asia continues to increase rapidly and port congestion is a serious problem. *Business Times* (Singapore), 6 April 1977.

Palestinian and Egyptian professionals, technologists and teachers are ubiquitous on the Arab littoral facing the Iranian shore. Here it is to be noted that some West Asian countries, notably Saudi Arabia, display a propensity to buy, or hire on contract, management skills. In banking and trade, ASEAN countries like Singapore may be able to supply the requisite skills.

Parts of Southeast Asia, such as Laos, are underdeveloped whilst most of the remainder can be classified as developing. Singapore alone in Southeast Asia is singled out as a rapidly industrializing nation.²³ Generally, Southeast Asia, like West Asia as a whole, can be categorized as a developing region.

It is in this interaction between the rich developed West and the two regions (which we have categorized as developing), rich in natural resources which are in demand and which are even crucial to the continual well-being of the West, that much of the force behind West Asian and Southeast Asian attitudes and actions is derived. This interaction is further complemented by memories of imperialism and beliefs in the sinister designs and superior airs of former imperial white nations. However, the important distinction should be made between the assured global demand for petroleum with presently no known large-scale effective substitute and many of the plantation exports of Southeast Asia for which industrial and chemical technology has found substitutes and the demand for which is not in the same category as that for oil.

There is considerable resentment in both regions, voiced in both official and business circles, that goods bought from the West are at prices that are increasingly inflated. The developing nations as a whole, of which these two regions are part, feel that they have had to bear the burden of the high standards of living enjoyed in the West which are reflected in continually rising wage rates that are in turn passed on to the consumers in developing nations. Conversely, they have felt that the raw commodities that they produce do not receive what they deem to be fair prices in Western markets due, in their opinion, to manipulatory practices by the main buyers.

Rubber in Southeast Asia and petroleum in West Asia have in

²³ It is worth noting that Singapore's housing achievements have impressed some visiting West Asian delegations who believe U.S. and West European construction firms are quoting inflated prices. The tendency is to turn to East Asia, including Singaporean, sources of constructional skill. Singapore workers, in this respect, already the highest paid in Southeast Asia can expect to get three times more if they work in West Asia. *Business Times* (Singapore), 20 April 1977.

recent years been the focus of attention in this respect. Rubber marketing aimed at getting a better deal for producers has brought some degree of co-operation between Malaysia, Thailand, Singapore and Indonesia, but significantly with the tacit agreement of major buyers. Malaysia, Indonesia and Thailand account for nearly all of the world's production of natural rubber with Singapore retaining to some extent its traditional function as a rubber-marketing centre. The international marketing of tin—of which Malaysia, Indonesia and Thailand are major producers—has in the past afforded scope for regional co-operation in a wider international context. In fact, Malaysia, Indonesia and Thailand together produce about two-thirds of the world's tin. In mid-1977 it was announced that the three countries had agreed to establish co-operatively a tin research and development centre in Ipoh, located in Malaysia's chief tin-producing district.²⁴ There are also growing signs of an ASEAN joint stand against growing protectionism in the West.

The West Asian countries form the core of OPEC and oil supply from West Asia has been an economic instrument and now is a political weapon that has in one dramatic gesture overturned, for the time being at least, the previous relationship existing between the West and West Asia. This was a relationship approaching one of patron-client. The OPEC policies supported crucially by the nations of oil-producing West Asia is of historic significance in that the non-industrialized raw commodity suppliers were able for the first time and without resort to arms to turn the table on the industrialized West, and to beat the West at its own economic game.²⁵ However, because of oil's unique position in the world economy, OPEC is itself unique. Other producer schemes have not worked as effectively as producers had hoped. Coffee schemes have failed. Tin and rubber have succeeded partially only because of the willingness of major consumers to co-operate.

Finally, the pervasive factor of national pride, besides the desire for self-reliance, has been a significant factor in the growth of oil-based and other business enterprises in West Asia,

²⁴ See, for example, *New Nation*, 3 May 1977.

²⁵ Early 1977 saw some dissension within OPEC ranks over the issue of the percentage of oil price increases to be arbitrarily enforced. Iran stood for higher, Saudi Arabia for lower, increases. The group led by Saudi Arabia announced production increases at the same time.

particularly in Saudi Arabia and Iran.²⁶ Industrialization in the two regions will be commented on in the next section.

For the two regions, the lesson is one of the desirability of increased co-operation in various fields, both intraregionally and perhaps between the two regions also. The success of the oil policies of the suppliers cannot have passed unnoticed by some ASEAN planners.

Further Economic Perspectives

Despite the fact that both regions are important oil producers, the comparative situation should be put in correct perspective. West Asia far outstrips Southeast Asia in oil production. The large revenues accruing from oil in West Asia benefit relatively small populations. Thus Saudi Arabia's revenues from an estimated eight to ten million barrels per day serve a population of eight million. Kuwait with an estimated production of four million barrels per day has only 900,000 people to support. Iran's estimated six million barrels per day accrue to a population approximating thirty-three million. Indonesia, the largest oil producer in Southeast Asia, by contrast, has a daily production of 1.6 million barrels against a population of about 130 million. Only Brunei compares in this respect to the oil countries of West Asia. President Suharto has been reported as saying that, for Indonesia, oil revenues alone will not be sufficient for Indonesia's programme of economic and social development.²⁷

A similar pattern is recorded for proven oil reserves. Again, West Asia has far larger reserves than Southeast Asia. Thus, for example, Saudi Arabia has 165,000 million barrels of proven reserves, Kuwait 72,800 million barrels, Iran 66,000 million barrels and Iraq 35,000 million barrels. By contrast Indonesia has 15,000

²⁶ The National Iranian Oil Company (NIOC) was founded in 1951 at a time when national oil companies were almost universally regarded in the West as ludicrous. However, this Third World pioneer firm has increased sales from US\$500 million about twelve years ago to a current volume of US\$22 billion annually. The Shah of Iran has said he sees no reason why the NIOC should not be the world's largest firm. It is now already amongst the world's leaders, just behind the Royal Dutch Shell Group, but smaller than Exxon. See *Asian Wall Street Journal*, 10 May 1977. By the second half of 1977 there were indications that NIOC's profits would be amongst the largest of any corporation in the world.

²⁷ *Asiaweek*, 3 June 1977.

million barrels.²⁸ Given that reserve figures are subject to wide margins of error, the discrepancy between the two regions is still clear.

Another aspect of the economic situation underlines what has been said earlier about each of the two regions being linked to the industrialized countries in the world economic pattern. In 1975, the total exports of the ASEAN countries amounted to close to US\$30,000 million. Of this, 61% went to industrialized countries—in order of importance—Japan (26%), then the U.S. (20%), followed by the EEC (13%). By contrast, intra-ASEAN export trade totalled US\$3,760 million (18%). Exports to the PRC came up to US\$120 million (0.7%). Exports to all oil-exporting countries totalled only US\$445 million, or a mere 2% of total ASEAN exports.²⁹ A similar pattern is noted for imports to ASEAN countries. Whilst oil is an important import, total imports from oil-exporting countries came to US\$3,000 million or 13% of all ASEAN imports totalling US\$23,000 million. By contrast, imports from Japan alone accounted for 25% of this trade. The U.S. and the EEC each took 16%, the PRC 3%.

This pattern can partly be accounted for by the fact that both regions have, as their biggest item of their import bill, machinery, transport equipment and the more sophisticated manufactures supplied only by advanced industrial countries. Hence, the small share in each other's total trade.³⁰

The potential for increase in two-way trade is said to be considerable. There have been numerous reports of West Asian goodwill, that all-important intangible in business dealings, towards East and Southeast Asian goods and skills. At the same time, there have also been complaints that ASEAN traders lack the expertise and aggressiveness of their counterparts from Japan, Korea, Taiwan, the U.S. and Western Europe.

Both regions show some high-growth economies, West Asia more so than Southeast Asia. The potential—particularly for

²⁸ Data from *Oil and Gas Journal*, cited in *The Middle East and North Africa 1975-1976* (London: Europa Publications, 1975), p. 88.

²⁹ These and following figures are extracted from the IMF, *Direction of Trade, Annual*, New York, 1969-1975.

³⁰ It should be noted however that for the nonoil-producing countries of Southeast Asia, import costs of petroleum products is heavy. For the Philippines, for example, about one-third of all import payments is for the purchase of petroleum products. In this sense Southeast Asia is heavily dependent on West Asia.

increased ASEAN exports of foodstuffs, simpler consumer goods, construction material and of ships and boats (from Singapore)—appears to be considerable. Demand for consumer goods and construction material is strong and growing in most West Asian countries. Demand for food and other agricultural produce is also increasing because of increased consumer spending power. Domestic production is hampered, as in Iran, due to the movement of farm labour to more lucrative urban occupations arising from the boom conditions obtaining in urban development.

The following table summarizes the per capita income and growth rates of the two regions.

Population, Per Capita GNP and Growth Rates: West Asia and Southeast Asia

	<i>Population (mid-1974 in millions)</i>	<i>Per Capita GNP (1974) US\$</i>	<i>Growth Rates (%) (1965-74)</i>
Bahrain (tentative estimate)	0.25	2,350	21.2 (1971-74)
Iran	33	1,250	7.7
Iraq	10.5	1,110	4.8
Kuwait	0.9	10,030	-2.3
Jordan	2.66	430	-2.5
Oman	0.75	1,660	19.2
Saudi Arabia	8	2,830	9.2
UAE	0.5	11,060	10.4
Brunei (tentative estimate)	0.15	6,630	5.7
Indonesia	128	170	4.1
Malaysia	11.5	680	3.8
Philippines	41.5	330	2.7
Singapore	2.2	2,240	10.0
Thailand	40.5	310	4.3

SOURCE: *World Bank Atlas*, 1976.

A View of the Possibilities

If some early 1977 financial setbacks³¹ are viewed as only a temporary feature, it means that West Asia, under proper fiscal management, is a heavily capital-surplus area, with capital and oil to export, and food and machinery to import. It has been estimated that Iran would be the second largest industrial market in Asia after

³¹ *Straits Times*, 17 January 1977.

Japan by 1980.³² Hence there is a strategic need to keep its sea routes open, and to have options in investment opportunities overseas. There is also the feeling that “there is far too much money” in the region, far beyond what can be usefully utilized within its own borders.³³ These factors thus complement the situation in Southeast Asia which needs capital and produces at relatively low cost much of the edible vegetable fats besides having the potential, though not the present capacity to produce, rice and other food-stuffs for West Asia, besides lower technology consumer goods.³⁴

It is important to add that a major problem facing West Asia in future is the prospect of lack of food supplies.³⁵ Even now West Asia is unable to feed itself. Arid but rich West Asia has already allocated funds for agricultural development in the Sudan, and as far away as South America. Southeast Asia also has some of the human resources which tends to be in short supply in West Asia, even though oil-rich Saudi Arabia and Kuwait, for example, can tap a considerable reservoir of tertiary-trained personnel from Egypt, the Lebanon and the Palestinians.

Unlike Southeast Asia, the resource and endowment and utilization of which (despite the important contribution of extractive industries) is mainly agricultural and hence self-renewing if properly managed, that of West Asia is characterized by a pattern of constant depletion of available resources. At 1974 levels of production it has been estimated that Iran’s proven oil reserves will be exhausted in thirty years; Saudi Arabia’s may last for another fifty-five years.³⁶

In this context, West Asian countries agriculturally poor could plan ahead for economic partners whose interests are not in long-

³² R.M. Burrell, “The Persian Gulf and the Western Indian Ocean,” in *Economic and Political Development in Relation to Sea Power Along the Routes from the Indian Ocean*, Conference Proceedings (London: New York University and National Strategic Center, 1972), p. 15.

³³ Stefan Kemball, op.cit.

³⁴ In mid-1977 it was announced that the ASEAN states planned a trade display centre in the port of Sharjah.

³⁵ Stefan Kemball, op.cit.

³⁶ Proven reserve figures vary widely and are subject to drastic alteration in the event of successful exploration. Data from *Oil and Gas Journal* cited in *The Middle East and North Africa, 1975-1976* (London: Europa Publications, 1975), p. 88.

term contradiction to theirs, and whose resources generally complement those of West Asia. The accumulated oil-derived surpluses of West Asia, now mostly invested in the West, but with increasing Saudi Arabian interest in Africa, could be more evenly spread out to include a Southeast Asia badly in need for capital injections for increased production: both agricultural and industrial. Indeed since 1973, Saudi Arabia has been less passive diplomatically and more outgoing in its financial outlook in terms of overseas investment and aid.

Southeast Asia possesses sophisticated financial infrastructures derived from long association with international trading and investment interests. The banking facilities offered by Singapore and other Southeast Asia centres are potential investment outlets for the large petrodollar surpluses of West Asia. West Asian capital has already begun to flow to the Asian Dollar Market centred in Singapore. Surpluses of petrodollars, when cumulative totals become too big, will pose serious problems, if they are not reinvested in productive enterprises. The Southeast Asian, particularly, ASEAN, investment climate and opportunities have won praise from U.S. and other financial circles. With an Africa edging towards more frequent and violent outbursts of strife, a Latin America showing signs of internal turmoil and a South Asia largely closed to capitalistic foreign investment, the ASEAN countries deserve closer examination by Arabs and Iranians as an investment outlet for their petrodollars. A major problem is for ASEAN countries to persuade Saudi Arabia, Iran, the UAE and Kuwait that investment in New York and West European capitals may not be as profitable as investment in Southeast Asia.

The presence of a global tanker route and the trade in petroleum have given rise to signs of competition between Southeast Asia and West Asia. The world's largest conglomerate of oil-exporting outlets in West Asia form the terminus for this tanker route. Southeast Asia, besides exporting increasing quantities of oil, has this same route passing through its narrows. The development of this geographical pattern of production, trade and sea-borne movement has coincided to a significant extent with the rise of postwar Japan as an economic near-superpower.

Between the two regions, similarities in economic opportunities have in some cases spawned similar patterns of industrial development. In this framework, the most notable is the comparison between Bahrain, relatively poor in oil resources, and

Singapore, totally lacking in natural resources. Like Singapore, Bahrain is rapidly developing into a regional financial centre but more importantly in the current state of supertanker and dockyard overcapacity, Bahrain may be competing directly with Singapore³⁷ which already has the largest shipbuilding and shiprepair facilities between Japan and the Mediterranean for large ships and tankers up to Very Large Crude Carrier (VLCC) size.³⁸ Alternatives for co-operation, or at least for the dovetailing of each other's developmental efforts, should be examined. Geographical advantages, proximity to sea routes of the oil resources, financial abundance and long-term governmental policies are likely to put the petroleum-refining, petrochemical and the related fertilizer industries of the West Asian states in competition with existing plants and planned projects in Southeast Asia.

Export orientation, it is to be noted, is the major aim of countries in both regions. Southeast Asia has the advantage of closer proximity to the Japanese and U.S. markets, and the potential market of China, but West Asia has by most counts larger oil resources and thus a much greater volume of production of the raw materials for the petrochemical and allied industries. Generally West Asia has amassed financial resources from its much more developed oil extraction industry. This has enabled the start up of capital-intensive industries such as aluminium smelting. Countries of both regions look to industrialization as a solution to economic and social problems.

The trend may be for growing competition in some sectors between West Asia and Southeast Asia since many of the new industries contemplated in both regions are of a similar nature. It would be particularly so with refining capacity and petrochemicals where Japanese investments in a new petrochemical plant in Singapore will assure its products access to the large Japanese market.³⁹ With increasing Malaysian oil and gas production and the

³⁷ See *Asiaweek*, 1 April 1977.

³⁸ Despite construction of VLCC yards in Bahrain, Singapore and Bahrain have stated in mid-1977 that they plan economic co-operation in industrial and communications development.

³⁹ Oil producers look upon increasing their own refining capacities as a first major step to industrialization. Thus, it is to be noted that the NIOC deals mostly in sales of crude. Its weakness in refining capacity puts it in a poor bargaining position with oil buyers. This can be rectified by increasing its own refining capacity. See *Asian Wall Street Journal*, 10 May 1977.

importance of oil to Indonesia's export performance, it is likely that these countries would also venture into larger-scale refining and petrochemical industries. In West Asia, the first step to industrialization is logically the refining and hydrocarbon based industries. Thus Saudi Arabia, the biggest OPEC producer, emphasizes hydrocarbon based industries in its planned economic development. In this, success is more likely due to the factor of comparative advantage.⁴⁰ Economic competition may be made more severe if the West Asian industries based on hydrocarbons as a raw material branch out into the production of synthetic rubbers.

There is a tendency thus for some West Asian oil producers to push deeper downstream in refining and the marketing of finished products in countries outside their own. Iraq is reported to be thinking about establishing a refinery in Somalia. Iran has stakes in refineries in South Africa, South Korea and India, and is discussing closer working ties with Italy's state oil corporation. Qatar is negotiating with a French group and Kuwait plans a US\$1.25 billion refinery and petrochemical complex in Rumania. Crude producers are thus able to assure themselves a share in the market for refined products and a portion of the profits of marketing. Iran has even gone on to joint oil-search ventures in the North Sea and off Greenland.⁴¹ Only Saudi Arabia remains as yet, outside this movement to global and international operations by oil producers. The implications of this internationalization for Southeast Asia will have to be closely studied.

Fields for co-operation do however exist. The abundant hydrocarbon resources of West Asia can be used for the development of fertilizer industries, the products of which are in demand in the food and cash crop growing economies of Southeast Asia. Indeed, it has been observed that the widespread and heavier use of fertilizer is essential for the Southeast Asian countries to increase their agricultural production to the extent that they will have a major and rapid impact on their economies.

Looking further afield, a quadrilateral economic arrangement between West Asia (or a part of West Asia), Southeast Asia, Australia and Japan is a possibility which merits further attention.

⁴⁰ Abdulrahman Al-Zamil, "Strategy of Development in Saudi Arabia," paper to a Conference on The Arab World—Business Opportunities for Asians, Singapore, June 1977.

⁴¹ *Asian Wall Street Journal*, 26 July 1977.

Southeast Asia relies heavily on foreign capital. West Asia is a major exporter of capital. Both regions need Western technology and expertise.

Wheat, rice, animal and vegetable fats, meat, and other agricultural products, timber, iron and steel, oil, petrochemicals and fertilizers besides capital, technological skills and large aggregate markets form a basis for an arrangement which is further cemented by an oceanic outward-looking disposition in all four components.

In this common oceanic disposition lies a contradiction between crucial dependence on sea-borne trade and a relative nakedness in naval power, and a heavy reliance (except for Japan) on the merchant navies of other ship-owning nations. The rise of Japan as an oil-devouring economic power creating a new centre of gravity in the Western Pacific, couple with the relative decline of Western sea-power in the face of Soviet naval construction and technological innovation, emphasizes the common problems confronting nations concerned with the security of the high seas. The Shah of Iran in 1974 called for economic co-operation between the countries of the northern tier of the Indian Ocean with the addition of Australia and New Zealand.⁴² An Indonesian leader has been reported to suggest a linking up of insular Southeast Asia, Australia and Japan.

In all these visions, the common denominator is an overriding interest in increasing sea-borne trade (a major key to economic growth in turn viewed as an important instrument in stemming the tendency to increasing internal dissent and insurgencies in both regions), stressing the linkage between technologically poor but resource-rich areas with high-technology industrialized consumers of raw materials, various forms of regional specialization, and in the envisioned markets mutually offered for the specialized exports of each component country. In this wider grouping there exists in abundance, sectors of comparative advantage necessary to the growth of mutually satisfying trade exchanges. One view is that "successful economic growth is characterized by the opening up of small but swelling niches of comparative advantage from which is built up a large and complex network of exchange."⁴³

⁴² Amir Taheri, *op.cit.* See also Abbas Amirie, *op.cit.*

⁴³ Theodore Morgan, "Regional Economic Co-operation in Southeast Asia—Problems and Prospects," Research Paper; University of Wisconsin, 1970, p. 7.

There is a need for a consciousness regarding a unity of economic purpose and strategic interest amongst Asia's maritime rimlands.⁴⁴

In this situation, the Indian Ocean, the Cape route, the seaways through Southeast Asia, the circumnavigatory route round Australia and navigation in the Western Pacific constitute an overall strategic web which gains added significance to rim-land states.

⁴⁴ The term "rimland" was first used by N.J. Spykman to describe the tier of states which encircled the Asian heartland. N.J. Spykman, *The Geography of the Peace*, New York, 1944. Cited by Norman Pounds, *Political Geography* (New York: McGraw Hill, 1963), p. 402. Spykman's concepts can be regarded as offshoots of the well-known Heartland Theory, expounded by Halford J. Mackinder.