

gct19991111i

To:

cc: (bcc: NHB NASReg/NHB/SINGOV)

Subject: Keynote Address by Prime Minister Goh Chok Tong in Johannesburg, 11 Nov 99, 8.30am

Singapore Government

PRESS RELEASE

Media Division, Ministry of Information and the Arts, #36-00 PSA Building, 460 Alexandra Road, Singapore 119963. Tel: 3757794/5

=====

SPRINTER 4.0, Singapore's Press Releases on the Internet, is located at:

<http://www.gov.sg/sprinter/>

=====

KEYNOTE ADDRESS BY SINGAPORE PRIME MINISTER GOH CHOK TONG AT THE COMMONWEALTH BUSINESS FORUM ON THURSDAY, 11 NOVEMBER 1999, IN JOHANNESBURG, AT 8.30 AM

MAKING GLOBALISATION WORK WITH
SOCIAL ACCOUNTABILITY

Two years ago, a major financial crisis erupted in Asia. It swept the region like a tidal wave, wreaking much havoc. Then against initial expectation for a long-drawn disaster, the tide turned at the beginning of this year. The Asian economies are now on the mend, strengthened in many instances by the reforms they undertook in response to the crisis. The capital funds which pulled out of Asia in the early days are now returning, pushing equity markets to pre-crisis levels. This has been accompanied by improvements in the real economy, led by the upturn in the global electronics demand cycle.

2 Not unexpectedly, the debate over globalisation intensified during the crisis. Prior to this, there was tacit acceptance that globalisation had been good for the region. Without globalisation, the Asian economic boom up to mid-1997 would not have been so dramatic. For example, globalisation has provided the drive and opportunities for the Singapore economy to grow by an average of 9% per annum, in real terms, over a period of 30 years.

3 However, public confidence over globalisation turned to doubt, at least in certain corners of Asia, as capital funds rushed out of the region from mid-1997. We heard increasingly strident voices articulating the ills of

globalisation. And as the backlash gathered momentum, many began arguing for the regulation of capital flows. It would not be wrong to characterise the Asian crisis as a wet blanket on globalisation.

4 Hopefully, the positive mood generated by the economic recovery in Asia would allow a more balanced debate on globalisation.

5 In Singapore, there has never been any serious argument over globalisation. For us, globalisation is not a choice. It is a necessity. We are a small economy of 3 million people, with neither natural resources nor a hinterland. Globalisation means new markets, increased investments, and opportunities. It also means keener competition but that itself spurs innovation and entrepreneurial drive. By surfing the wave of globalisation, Singapore has eradicated poverty and raised the standard of living of its people.

Living with Globalisation

6 Technological progress in the last few decades, particularly in communication and transport, has provided the "hardware" for globalisation to take place. Take the Internet phenomenon, which is only one aspect of the technological revolution. The Internet has provided the means for people in different parts of the world to communicate and transact with one another in real time and at the click of a mouse. It has and will continue to cause a fundamental reorganisation of production, distribution and marketing. Electronic commerce will soon become a part of our daily lives.

7 However, "hardware" by itself will not be sufficient for us to benefit fully from globalisation. We need the "software" as well. This requires a deep understanding and appreciation of the rules of the new game for thriving in the global economy.

Making Globalisation work for us

8 Here, I want to make six suggestions about what governments and businesses should do to make globalisation work for us.

Strengthening the multilateral trading system -

Launch of a New Round

9 First, governments must continue to uphold and strengthen the multilateral trading system. It is the only institution today which can provide a fair and predictable framework for businesses to participate in and benefit from global trade. We must also continue to push the boundaries of free and open trade under the framework of the WTO. This will provide the basis for further growth in world trade and hence global economic expansion. It will also create more business opportunities. The private sector should therefore press their governments to liberalise trade further.

10 When I spoke at this same forum in 1997, I had called for the launch of a New Round of multilateral trade negotiations. The depth of the Asian economic crisis and accompanying social dislocation have made it even more critical that a New Round be launched.

11 A New Round which is broad enough to take into account the interests of all WTO members, but yet manageable to allow it to be concluded within a reasonable period of three years, will sustain the regime of free and open trade, and help stem protectionist tendencies. A New Round will strengthen the multilateral trading system and lay the foundations for the next wave of global economic expansion.

12 For the developing countries, a New Round offers the best way of ensuring that they continue to have open and secured access to export markets and foreign capital. Developing countries which feel marginalised by globalisation should not isolate themselves. They should instead pro-actively participate in the WTO to help shape a New Round agenda that includes their interests.

Free Trade Agreements to fast-track trade liberalisation

13 Second, governments, supported by their business sector, should also participate actively in regional organisations to promote free trade and investments. Such initiatives supplement the efforts of the WTO. For example, as decided in its meeting in Bogor, (Indonesia) in 1994, the 22 APEC economies will work towards free and open trade and investment in the Asia Pacific by 2010 for industrialised economies and 2020 for developing economies. These are significant commitments. But some countries want to do even more. They are thus forming Free Trade Agreements (FTAs) among themselves. These FTAs could, over time, lead to an APEC-wide FTA.

14 You might have read of the several commitments to negotiate bilateral FTAs amongst APEC countries. Singapore and New Zealand announced such an intention in Auckland. So did Chile, Korea and Mexico. I regard these FTAs as fast-tracks to global free trade.

15 However, for such FTAs to achieve the objective of fast-tracking global free trade, they should be open to accession by any economy which is ready to commit to their goals. This is an important principle. Otherwise, FTAs will divide the global economy into competing regional blocs.

16 But let me stress that our primary focus should continue to be on the multilateral trading system. FTAs are only a supplementary means to speed up the free trade efforts of the WTO. They cannot replace the WTO as the governor of world trade. The ultimate goal must be global free trade.

Institution building and strengthening fundamentals

17 Third, the Asian crisis has brought home the lesson that governments need to strengthen domestic institutions to cope with the strains the free flow of trade and capital places upon the society. Financial institutions and companies must adopt

the best practices of financial supervision and corporate governance. Banks need a strong credit culture, while other companies need a rigorous business culture. There should be competition among financial institutions to foster higher efficiency and better services. Countries should also develop strong prudential regulation and supervision, robust legal and accounting systems, as well as clear bankruptcy laws and procedures. These would help make our economies more resilient to future shocks.

Competing with a global mindset

18 Fourth, to thrive in a global economy, one must develop a global mindset. More businesses are now building up a global reach. In the old days, tight national borders, high trade barriers and high costs of transportation meant that one could survive on local competition. All that is over. Whether we like it or not, competition is now global. The advent of the Internet and electronic commerce has made it all but impossible not to have a global presence.

19 Many businesses have been actively building global alliances with their competitors and suppliers. For example, in the telecommunications sector, companies are engaging in cross-border mergers in their rush for global coverage. In fact, in the last 12 months, 9 of the top 10 (mergers and acquisition) deals in the world have been in telecommunications [Source: James McCafferty, head of the telecommunications team at SG Securities Ltd in London, quoted in the 7 Oct 99 issue of the International Herald Tribune.]. Banks too have merged to become mega institutions. Airlines are forming global alliances. Driving this trend is the realisation that customers and consumers demand seamless global services. Companies which can provide them will have the upper hand.

20 Governments too need a global mindset. They have to benchmark themselves against the best practices of other governments, and even private organisations, just as businesses have to offer the best products and services. Full and active participation in the global market is today an important pre-requisite for the success of governments and businesses alike.

Human capital development –

nurturing a pool of knowledge workers

21 Fifth, human capital will be a key competitive advantage in the next millennium. Some people have termed the new global economy the "knowledge economy". Such an economy requires knowledge workers. What has kept many successful global companies strong despite increasing competition is their constant emphasis on human capital. Knowledge workers bring with them an intimate understanding of their respective areas of expertise, and add value to the wealth-generation process. Governments and businesses therefore need to constantly upgrade their human resources, and train the workers to apply knowledge to improve the work process and environment.

Flexible organisation structures

22 Sixth, we need to re-examine organisation structures to better manage knowledge workers and information flows. Big hierarchical structures are no longer efficient and have become dinosaurs. The structures of governments and companies

alike are being layered and flattened, and have become more web-like in the way different parts interact with one another. This is essential for sharper and quicker responses to changes in the market place.

Social Accountability

23 Let me now turn to the issue of social accountability. In Asia, the economic downturn has engendered domestic social pressures and tension, leading in some cases to political upheaval. Globalisation which has contributed to unprecedented prosperity, has also caused disorientation, disruption of a settled order, new insecurities and a sense of a loss of control. Governments and businesses therefore need to work together to ensure that the less-prepared segments of the population, who lack the necessary skills to participate in the new knowledge economy, do not lose out from the process of globalisation.

24 As corporate citizens, businesses should invest in the training and re-training of their employees so that their skills will remain relevant to the demands of the marketplace. They should support government efforts to prepare workers for life-long employability, and not just for their present jobs. They could also play a more active role in the development of the local community, for example, in making sure that their business activities do not have an adverse impact on the environment.

25 Education plays an important part in preparing a people to manage the impact of globalisation. The more open and international a country is, the better able it is to make globalisation works in its interest. Preparing the next generation to meet the demands of the future knowledge economy is the most responsible way to ride the wave of globalisation.

Conclusion

26 Like an accelerated Darwinian process of natural and human selection, countries and businesses which adapt to the new environment will prosper. Those which are unable to will stagnate or disappear. Singapore's experience has shown that it is possible for a small developing economy to benefit from globalisation. We have done so by confronting the challenges and preparing our people and institutions for change, rather than turning our back. The response of governments to the impact of globalisation cannot be isolation, but to build up their respective capacities to exploit the challenges globalisation brings. Only in this way can we succeed in raising the standards of living of our respective peoples.

27 The challenges to businesses are similar. Businesses must plug into the global network to thrive. Organisation structures need to be re-examined so that they are flexible enough to adapt to the increased pace of changes. Most importantly, businesses need to invest in their people and equip them with the latest capabilities, as they are the single most important factor in determining the success of any business in the global economy. That is also being socially responsible.

gct19991111i

National Archives of Singapore