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KEYNOTE ADDRESS BY SINGAPORE PRIME MINISTER GOH CHOK TONG TO THE CONFEDERATION OF INDIAN INDUSTRY (CII), NEW DELHI, ON WEDNESDAY, 19 JANUARY 2000 AT 11.00 AM (SINGAPORE TIME 1.30 PM)

GLOBALISATION IN THE NEW MILLENNIUM

I last addressed the CII at its centenary celebrations in January 1995 in Calcutta. I am happy to see my friends again.

2 The arrival of the new millennium finds more of the world's population living in good health and prosperity, and secure from territorial aggression, than at any other moment in history. Yet more of the world's people also live in poverty and despair. As some celebrated the dawn of the new millennium with much joy and anticipation, for others, it was just another grim moment in the struggle for survival.

3 But this common moment of celebration and struggle was linked by far more than the change of dates. Technology and the flow of information, people and goods across borders at an unprecedented rate have woven our societies into a world-wide web, bringing our peoples closer together than ever before.

4 The forces of globalisation have resulted in an unprecedented expansion of economic activity and wealth. Powered by relentless technological advances,

they will continue to drive the expansion in world trade and international capital flows. They have opened up sectors and countries which were previously considered closed. And this process is accelerating.

5 Just last week, Time Warner Inc, the world's largest media and entertainment company, and America Online Inc., the world's biggest online company, announced their multibillion-dollar merger. The purchase of a traditional media company by an online company epitomises the merging of the new economy with the old. The rules of the game are being rewritten. Every industry will be reshaped as both Internet firms and the traditional bricks and mortar companies search for new growth opportunities and an edge over their competitors in an increasingly competitive marketplace.

Backlash against globalisation

6 Globalisation is a powerful vehicle for economic growth. But to many, it is also a process that threatens economic and social stability, challenges national sovereignty, and erodes local culture and tradition. The increase in the size of the "globally contestable economy" reduces the control of nation states. A globalised village cuts across national boundaries, not only economically, but also through a multiplicity of social and political circles, communication networks and business relations. Indeed, one of the gravest challenges of the new century is to reconcile the impact of globalisation with traditional political thinking based on the nation state.

7 It is, therefore, not surprising that we have begun to see some backlash against globalisation.

8 The financial crisis in Asia, for example, raised doubts about the benefits of free capital flow. Capital funds which have driven much of Asia's growth in the past decades left abruptly in 1997, wreaking much economic, social and political havoc. Public confidence over globalisation, at least in certain quarters of Asia, turned to doubt.

9 Globalisation is also increasingly subjecting domestic regulations to international codes of behaviour. Governments and citizens alike feel threatened by the impact of globalisation on their cultural values and even national identities. In fact, some countries such as France have suggested that the world should recognise the special role played by cultural goods and services. Defined as products within sectors such as publishing, film and video

production, sound recording, broadcasting and new media. in societies, and the right of governments to preserve and promote cultural diversity.

10 Evidently, globalisation is bringing about a new generation of disputes which go beyond pure economics. They will typically be about domestic regulations that have impact beyond national borders. Classical trade issues, particularly those concerning goods, will no longer hold the key to future trade liberalisation. Instead, new issues like trade and environment, trade and labour, and trade and human rights, are likely to dominate. Trade battles will increasingly be fought on how far countries should accept "foreign" standards on domestic policy in sensitive areas such as investment, labour, food safety or environmental protection, supposedly in the name of free or fair trade.

11 The recent WTO meeting in Seattle witnessed the reluctance of many economies to allow the forces of globalisation to dictate national policies. Agriculture, investment, competition policy, environment and labour were among the key contentious issues that contributed to the breakdown in negotiations.

Consequences of the backlash

12 The anti-globalisation forces have thus claimed victory in the Seattle debacle. They are energised. They will fight further free trade initiatives. But in reality, the outcome in Seattle hurt everybody, particularly the developing countries. These countries are denied enhanced market access into developed economies.

13 Whether Seattle is merely a pause in the long march towards open markets or a turning point that marks the beginning of the end of open markets remains to be seen. If it is the latter, we may see a rolling back of our past efforts to reduce trade barriers and to encourage greater cross-border trade and investment flows.

14 If member countries do not re-double efforts to address the failure of Seattle, the survival of the multilateral trading system could also be threatened. The economic order underpinned by the rule-based multilateral trading system has been the foundation of economic growth and prosperity over the last half century. If the WTO is now perceived to be incapable of undertaking further trade liberalisation and enforcing compliance, countries will pursue alternative

arrangements. Without an international order to regulate global trade, the world could fragment into exclusive and protectionist trading blocs. Not only would we all be poorer off in such an environment, the world would also become a more dangerous place.

15 The world could evolve into a two-tiered system in which developed and globalised economies are linked by trade and technologies while excluded developing economies seek refuge in isolationist policies. The gap between developed and developing economies will widen considerably. Such a huge disparity in national wealth will only fuel greater tensions between the developed and developing economies.

Living with globalisation

16 There is no denying that globalisation brings with it many challenges that impact on our social and political fabric. But globalisation also means new markets, increased investments and opportunities, and benefits for the population at large. However, it also means keener competition, and loss of some jobs. The silver lining here is that it spurs innovation and entrepreneurial drive.

17 Resisting the forces of globalisation is not a solution, and ultimately a futile exercise. Global capital and trade will go where they are welcome and are most productive. Economies, which continue to keep their borders closed to foreign goods and services, will lose out and gradually find themselves marginalised. Formerly centrally-planned economies, realising this, have already begun looking to free and open markets to improve the living standards of their people. China, centuries ago, was the leading nation in science and technology. It stagnated when it closed its borders. Its recent economic reforms have resulted in many predicting that it will be the next economic superpower.

18 No economy is strong enough to stop the tide of globalisation. Neither is there a viable alternative. As such, what governments must do is to embrace globalisation, and strengthen domestic institutions to cope with the strains it places upon the society. Through emphasis on education and training, we must equip our citizens with the necessary skills to cope in the new environment. This is the best safety net. If our citizens are equipped with the skills to handle the uncertainties and competitive pressures of globalisation, they will be less concerned about the loss of jobs due to globalisation. In short, they will be more able to adapt to and make a living in the global economy.

19 What I've outlined raises profound issues for India. India is liberalising its economy, in a cautious manner. I believe the pace of India's economic liberalisation would accelerate over the next few years out of necessity. India has to attract investments to maintain growth, upgrade infrastructure and technology and create jobs. This is already evident in the recent passage of several financial reform bills through the Parliament. This accelerated pace of reform will affect all segments of Indian society. The business sector will face intense foreign competition. India will experience the same pattern of corporate mergers and internationalisation of business operations, which has already occurred in the developed countries, and is on going in East Asia. India's corporate sector must prepare for this now. I believe that when India liberalises its economy and plugs itself into the global network, it will fulfil its vast economic potential. New wealth and new jobs will be created. The success of India's computer software industry is testimony to what India can achieve via an outward-oriented and competitive industrial sector. The mobility of Indian professionals and the benefits they reap for their country and families in India is an overlooked fact in the globalisation debate here.

Singapore's response

20 In Singapore, 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. By riding the wave of globalisation, Singapore has eradicated poverty and raised the standard of living of its people.

Plugging into the global economy

21 Singapore has and will continue to rely on market forces and the free flow of capital and trade to plug itself into the global economy. We will also continue to strengthen our economic linkages with the global markets. For example, for the manufacturing and services sectors, we have launched a new initiative that aims to build Singapore into a vibrant and robust global hub of knowledge-driven industries. We will build capabilities in major clusters such as electronics, chemicals, engineering, IT, communications and media, logistics and education and healthcare. Our new competitive edge would be in our ability to apply skills and knowledge to create value and wealth for companies in Singapore.

Financial reforms and institutional building

22 Despite the Asian crisis, we have also liberalised our financial markets and regulatory structure. We have changed policies to give fund management companies greater access to domestic funds, develop the debt market, demutualise and merge the exchanges, overhaul corporate governance, and introduce risk-focused supervision and inspection of financial institutions. We believe that the liberalisation of the banking system is the best way to upgrade the industry, develop robust local banks, and enhance our role as an international financial centre.

23 For services where the government has traditionally been the sole provider, we have commenced a programme of corporatisation and privatisation to subject the provision of such services to competition and market discipline. We have already liberalised the telecommunications sector and are in the process of opening up the power sector.

Attracting top talents

24 Being a small country, we recognise that our local population would not be able to produce sufficient talent that is needed to develop Singapore into a knowledge economy. We, therefore, welcome the contribution of foreign talents. With their expertise and skills, they will help to attract and sustain high-value added activities in Singapore. They will add to the strength and dynamism of Singapore's economy.

Continuous upgrading of manpower

25 Not all Singaporeans are sufficiently ready or equipped to participate in the new global economy. As such, we have launched a major manpower initiative to train our workforce to meet the new needs of a knowledge economy and to minimise structural unemployment. The aim is to help our workers upgrade their skills and competencies, so that they are internationally competitive and better prepared for globalisation.

Conclusion

26 The debate over globalisation will surely intensify in the aftermath of Seattle. However, it should not be over whether countries should embrace or turn away from global market integration. Rather, it should be how countries can better cope with the challenges of globalisation and maximise the opportunities it brings, while preserving social cohesion and national identity.

27 I recognise the substantial differences between India and Singapore. At the same time, Singapore's experience has shown that it is possible to harness the forces of globalisation for the good of our respective peoples. Singapore has confronted the challenges head-on and prepared itself for change. Ultimately, we may differ in our respective responses to globalisation. But isolation and protectionism cannot be the answer. The essential requirement is to build the capabilities for our peoples to derive benefits from globalisation. Only in this way can we provide a secure and better future for them.

28 Let me end by quoting from an Indian information technology entrepreneur:

“To succeed in today’s business environment, one has to work to global standards. The challenge is in breaking down all barriers that hinder growth, be they geographical, cultural, hierarchical or, more importantly, technological.”

He is B Ramalinga Raju. His Satyam Computer Services, based in Hyderabad, is one of India’s fastest-growing information technology companies.

Thank you.

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