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Speech by

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When we last met in Tehran in September, 1976, the world economic outlook seemed to have improved. Economic recovery was under way, leaving behind the world economic recession. But, we were more optimistic than had been justified by economic events. The upturn in economic recovery was short-lived. It began in late 1976, but slowed down from the second quarter of 1977. In 1976, the gross domestic product of the seven major OECD countries grew by 5.6%. In 1977, the figure was only 4%, a noticeable drop of 1.6%. The state of world trade was even more dismal: in 1976, the growth of world trade was about 11% but plunged to 6% in 1977.

OECD forecasts about growth are usually more optimistic than are justified by actual developments subsequently. The latest forecast for the 24 members of the OECD is a growth rate of 4% for 1978. The forecast, like so many previous ones, may err on the optimistic side, unless, at least, the United States, West Germany and Japan can pursue expansionary economic policies without rekindling inflation rates. It will be more realistic if we plan for a world economy growing at lower rates. The impact of the new scientific discoveries and technological progress that gave birth to the post-war years of rapid growth has now petered out.

The consequences have only been made more dramatic and painful by the energy crisis of October, 1973. Such rapid growth is a thing of the past unless new scientific discoveries and technology enable the West to open up new frontiers of economic development. So, the OECD countries face slow growth, unemployment, and the attendant political, economic and social problems.

On the other hand, the developing countries of the ESCAP region have not fared too badly at least in statistical terms. In the 1960's, the annual average growth rate of the Gross Domestic Product was 5%, reaching 5.6% in the first half of this decade. But these creditable growth rates were illusory, for they had been more than wiped out by uncontrolled population growth and the sheer weight of initial unemployment and under-employment. As a whole, mass poverty remains the stark reality of life in most ESCAP countries.

The ILO statistics give a grim portrayal of the situation. In 1975, in the developing economies of Asia, there were 18 million unemployed, and 168 million under-employed, both constituting 40% of the total labour force. ILO estimates classify 71% of the 1972 population in these countries as "seriously poor", 42% "destitute" and suffering from severe malnutrition. For the rest of the present century, the labour force is expected to grow by 2.7%

every year. It is a staggering problem merely to provide jobs for these new entrants to the labour market, even if one were to forget - and one cannot possibly forget - the accumulated unsolved backlog of unemployed.

So, we have a grim picture before us: a world economy which is ailing and unlikely to achieve rapid growth, unemployment in the industrial West and mass poverty in the developing countries of Asia.

The solution to the problems of these Asian countries has been identified - namely, to generate economic growth fast enough to provide sufficient jobs for all. It has been widely recognised and accepted that the main responsibility for this task rests on the governments of these countries. If the objective is to be achieved, the development strategy must be employment - oriented, and strongly supported by effective programmes to check and reduce population growth. Otherwise economic gains will be wiped out by population growth; and the eradication of poverty will be like running on a treadmill.

Twenty-five years of experience have brought a new understanding of the complexities of economic development. For years, it was regarded as the correct thing to achieve growth by industrialisation based on import substitution.

Now, it is increasingly realised that countries that have opted for this type of development strategy based on old technology have finally ended up in economic stagnation. Developing countries are therefore at present moving into export-orientated industries.

Such a trend demands that there should be an expansion of the international economy based on free trade and international division of labour according to comparative cost advantages. Our objective should be to strengthen the structure of international free trade. Towards this end governments should, therefore, explore how economic growth can be enhanced through economic co-operation and expansion of trade on a sub-regional and regional basis.

In this connection, it is relevant to note the agreement reached at the recent Asian and Pacific Commonwealth Nations Summit. Consultative groups will be set up to examine ways and means to facilitate and expand trade on an intra-regional basis, and between the region and the three major trading blocs - the United States, EEC and Japan. Patterns of trade which are channelled by shipping conferences and which are a legacy of the past, must be actively redirected. Artificial trade barriers against intra-and-inter-regional trade must be dismantled. Such changes require time. But what is ultimately needed is political will to make short-term sacrifices for long term gains.

I am, therefore, pleased to note that we are discussing the two issues of an active employment policy and regional technical co-operation. The Conference can discuss ways and means of achieving an active employment policy. An exchange of information of our experiences will be mutually beneficial. The Conference can further define the need and effectiveness of regional technical co-operation.

But crucial to the success of the active employment policies of the developing countries is the growth of international free trade. Since the beginnings of industrialisation, the great engine of growth has been international free trade. Attempts to destroy this structure in the inter-war years had played their parts in bringing about World War II.

To-day, we witness once again the revival of economic nationalism in such euphemistic disguises as "voluntary trade agreement", "organised" free trade, and "organised marketing arrangements". High tariffs and quotas have also been imposed on goods from the developing economies. Non-tariff measures such as import licences and other administrative devices like marking and labelling of goods have also been used to reduce imports from developing countries. In addition, fiscal means are employed to contain the flow of investments to the developing countries.

These practices will hinder economic growth in Asia. The major markets for Asian agricultural products and manufactures are in the OECD countries, principally, the United States, EEC and Japan. From these countries, Asian developing countries import their capital, technology, and management know-how, without which their economies cannot take off. The root cause of this neo-economic nationalism in OECD countries can be attributed to slow growth, unemployment beyond what they regard as acceptable levels, and inflation. But this policy is short-sighted for it hits hardest the economies and employment opportunities of the developing Asian region. In the long run, a shrinking world market will in turn affect adversely the developed countries themselves, for the developing countries will be too impoverished to be able to buy the capital equipment and sophisticated manufactured goods from the developed countries. The standard of living of the people in the developed countries too will suffer for having to pay several times more for simple consumer goods which the developing countries can produce at a fraction of the cost. Protectionism only transfers the burden of unemployment to developing countries which cannot even afford to put their unemployed on the dole. It encourages governments to fight each other to preserve inefficient industries thus threatening to retard the growth of the international economy. It makes economic sense therefore to have more international division of labour and free exchange of goods, and greater flow of investments and technology into the developing countries.

Not only will the people in developed countries benefit in the medium and long term, but millions of the poor and unemployed in Asia will have a decent opportunity to rise above the poverty line. This calls for vision and political will. This Conference will have made one step forward towards solving the employment problems of the millions of unemployed and under-employed in Asia and the Pacific Region through the formulation and implementation of active employment policy if it can add its voice against protectionism and trade barriers in whatever forms, and for greater flow of investment and transfer of technology to the developing countries.