
Opening Address by Prime Minister Goh Chok Tong, at The Asia Society International Corporate Conference Singapore, 17 May 1994

Asia: Opportunities, Not Threats

Mr John Whitehead
Excellencies
Distinguished Guests and Friends,

1. First, let me thank Asia Society for holding its conference in Singapore. Next, I welcome all our friends from abroad.
2. Last month, Singapore was very much in the news in the U.S., but for the wrong reason. It would be marvellous if your proceedings would get even a fraction of the U.S. media attention that we received.
3. Asia is different from the U.S. We are different not just in our view of how societies should be governed, but also in our stages of economic development.
4. Economically, the U.S. is streets ahead of Asia, except Japan. The U.S. is industrialised, has a huge service sector, while most of Asia still live on agriculture. But Asia is changing rapidly. It is industrialising. And it is growing much faster than the West did at a comparable stage of development.
5. Asia's time has come. It is catching up with the West. I say this from what I have read, and what I have seen of developments in ASEAN, China, India, Vietnam and even Myanmar.
6. ASEAN's robust growth will continue. The ASEAN Free Trade Area will create a huge and ready market for investments and exports in the next decade.
7. China's emergence will be the largest phenomenon in the world economy over the next few decades. India has also begun to dismantle controls and open up to world markets. It might be the next phenomenon. Vietnam, with a population bigger than France, has begun the same. These three countries, the world's first, second and thirteenth most populous countries, are opening up their closed, state-run economies. Foreign capital is flowing into these countries where it was restricted for decades. Exports are coming out from them in volumes never seen before. But their imports are also growing, even faster than their exports. Their entry into the international market has changed the pattern of world trade and investment. As they grow, the pattern will change further. We will all have to adjust to their increasing economic presence.

8. Integrating these new giant producers into the world market is a major challenge. The industrial nations should seize the challenge and ride on the growth of Asia. If they do not, and instead try to stem the flood tide, the challenge would turn into economic conflict, and fragment the world into economic blocs – the European Union, NAFTA and perhaps, a new Asian bloc.

9. Unfortunately, the West is ambivalent in welcoming and encouraging the growth of these giant countries. Some Western leaders, politicians, trade unionists and opinion-makers see Asia's emergence as a threat rather than an opportunity. They fret about low-cost producers in Asia taking away their jobs. They accuse low-wage Asian workers of undermining their standard of living.

10. Attempts to check imports from low-wage countries, like the recent efforts to introduce social clauses on workers' rights and minimum wages into the GATT agenda, betray the West's fear of competition from Asia and its growing sense of economic insecurity. These thinly-veiled protectionist measures are short-sighted. They show a misguided preoccupation with preserving low-value jobs when the West should be concentrating on creating high-value jobs. They also suggest a serious misunderstanding of the historical role of trade and economic competition as engines of growth in all countries.

11. Competition under a free trade regime is the only basis for lasting advance in economic growth. Indeed, the West has built up its own prosperity on the basis of international free trade and market competition. It should resist changing the rules to curb Asia's growth. There is no alternative but to compete if Western countries want to maintain their edge in living standards over Asia and other developing countries. Europe's experience with the Common Agricultural Policy shows how costly protectionism is to domestic consumers and taxpayers, and how despite its intention it is ultimately unable to save jobs. Protection merely prevents resources from shifting to where they can be better used.

12. The long-term rise in unemployment rates in the West cannot be blamed on cheaper imports from developing countries. Asia's economic emergence coincides with the prolonged recession and high unemployment in the West. It does not cause them. Even today, imports from developing Asian countries form less than 4% of total consumption of manufactured goods in the developed countries. The relentless shift towards new technologies is the major reason why those without skills are losing their jobs. This will continue even if borders are sealed. It explains why the West is experiencing economic growth without corresponding job creation.

13. I believe, however, that the U.S. and Europe can achieve sustained improvement in their current standard of living. They have advanced technology, organizational capabilities and highly qualified and creative manpower. But they must have the political will to overcome some basic self-inflicted problems.

14. Firstly, Europe is burdened with welfare systems which increase costs for their businesses. For example, employers' social security contributions and other non-wage costs add almost 50% to the already high wage level in Germany. They have handicapped their race horses with extra weights.

15. Secondly, the labour markets, especially in Europe, have become too rigid and inflexible. Strict employment protection laws have discouraged employers from recruiting new employees. Generous benefits for the unemployed reduce their incentive to work. High minimum wages cost young workers their jobs. As a result, real wages have risen in Europe even as unemployment has soared.

16. Thirdly, both the U.S. and Europe have under-educated and under-trained the bottom half of their workforce. Standards in America's schools have not improved in 30 years. They are slipping behind not only the rest of the industrial world but a good number of developing countries. Population growth and spreading education levels will expand the world's literate labour force to over 3 billion in the next three decades. This is more than five times the size of the total workforce in the developed economies today. Labour will be abundant. The West should adjust to this reality, equip their workers with skills and shift out of low-wage, labour-intensive activities. It is their only realistic hope of sustaining Western prosperity.

17. The West needs to solve its structural problems now, while it still has the trump card on technology and know-how. If it does not strive to stay ahead, it will find that in another generation even this competitive advantage may be lost. Asia will catch up fast with the West in levels of education and skills. For example, by the late 1980s, the percentage of Korea's 20–24 year olds in colleges and universities was already higher than that of their French and German counterparts. China, India, Vietnam and ASEAN may not all reach the same levels, but will follow the same path.

18. Fortunately, a growing Asia is not merely a growing army of competing producers. It is also an army hungry for consumer goods, travel and other economic services.

19. Asia has already overtaken Europe as the leading export market for the U.S., accounting for over a quarter of U.S. exports by 1992. China's imports have been growing by 25 per cent annually. Motorola, an American telecoms company, forecasts that by 1997, China alone will account for half the world's demand for electronic pagers. Carrier, an American manufacturer of air-conditioners, believes that by the end of the decade, New Delhi and Bangkok alone will buy more of its products than all of Europe. General Electric also forecasts that Asia will order nearly half of the world's requirements for power generation equipment in the next 10 years. And aircraft makers expect Asia to purchase 1,000 passenger aircraft, worth US\$50 billion, over the next 5 years.

20. The emerging Asian economies are unlikely to run the kind of trade surpluses seen in Japan and Taiwan. In China, India and ASEAN, consumer demand is not being suppressed, unlike in Japan and the major NIEs in their early development. By the end of this decade, East Asia will import US\$50 billion more goods and services than they export per year. Their deficit could double to US\$100 billion by 2010.

21. This is not surprising. Apart from their huge infrastructural needs, the growing numbers of the Asian middle class will contribute to the most rapid consumption boom of Western goods in history. By the end of the decade, there will be some 400 million Asians with purchasing power equal to the average Westerner today. This is three times as many as today. They will buy less traditional or indigenous goods and more modern or imported brands.

22. Asia, of course, has to export to pay for its imports. While its imports create jobs in the West, its exports also benefit Western consumers. They are cheaper and help to stretch the dollar.

23. These are the benefits of integrating Asia into the world market — jobs for the West through exports and cheaper imports from Asia to lower the cost of living.

24. If, in spite of these benefits, the West continues to see Asia as a threat and tries to slow its growth, both Asia and the West will lose. If the West blocks the emerging Asian countries, especially China, from world markets, it will force them to turn inward. They will be less open and be less co-operative internationally. Their weaker economic growth would translate into a more aggressive and destabilising military posture because they would distrust the West. The West will be threatened not merely by the loss of exports and slower domestic growth, but with global insecurity, including the risks of losing the assets it already has in Asia.

25. But even if the West does not seek to isolate Asia, there will be similar negative effects if the European Union looks only inward and NAFTA only southward. If they do, Asians will have to organise themselves and trade increasingly among themselves. The region's diversity in natural resources, wage levels, skills and technology will allow for continued expansion of intra-regional trade and investment. Asia has the capital. It saves more than the rest of the world. Its growth will be slowed, but it will not be stopped. An Asian trade bloc is not an option of choice. But it is a viable option. And sometime in the next century, Asia by its sheer size would shift the weight of global economic power from the West to the East. Before the table is turned, the U.S. should heed what Nixon wrote in his last book, that the Chinese may one day threaten to withhold MFN status from the U.S. unless it does more to improve living conditions in Detroit, Harlem and South Central Los Angeles.

26. Whichever the scenario, the West would have much to lose by not being a partner in Asia's growth. An economically powerful Asia which is not integrated with the rest of the world will be sullen and ready to challenge the West. An Asia made prosperous with the help of the West will want that beneficial relationship to continue.

27. Look at Germany and Japan. The U.S. helped them, their adversaries in World War II, to rebuild and rejoin the rest of the world after the War. Today, they are prosperous and on the side of the U.S. The wisdom of that policy is obvious. Likewise, the U.S. can help China, India, Vietnam and the rest of Asia integrate with the West by investing in them, selling to them and buying from them. This will lead to an interdependent world, economically and politically. When the West and Asia reinforce each other's strengths, and take a stake in each other's stability, prosperity and future, it is a much better world.

28. On this note, I wish your Conference success.

SOURCE: Institute of Policy Studies, Singapore.