

Remarks by Dr William Fung at the Closing Ceremony
of the 14th PECC General Meeting on 30 November 2001

Distinguished delegates, ladies and gentlemen:

I think we have experienced two and a half days now of some very stimulating and thought-provoking presentations. It is now up to me to sum up this incredible conference. I must tell you, though, that I think it is far too daunting a task for me.

I have received some advice from my old friend, Professor Edward Chen whom you have just listened to. He said that for him, a successful conference is one when he can come away with two, maybe three good ideas that would affect the way that you think about some major issues or the way you work. And what I would like to do is to perhaps just share with you some of the things that I am bringing away from this conference. And I want to hide behind the fact that, as many of you know, many of the previous Chairs of PECC are either diplomats or scholars, and I neither have their eloquence or the intellectual capacity to sum up this conference in the way that perhaps they could. But what I would like instead is to say that I am an ordinary businessman attending a conference and I have come away with certain things that I would like to share with you, and perhaps that would be my way of summing up the conference.

When I gave my opening remarks at the beginning of this conference, I said that I had hopes that the conference would answer for me several questions against a very severe backdrop of the 911 incident and the economic downturn in the world - what questions am I looking for? And in particular, I said that I was looking for answers to questions like: How do we manage globalization to yield better growth and higher standards of living and provide benefits to all economies? How do we ensure that certain economies or classes of people are not disenfranchised and become worse off? How do we push forward the WTO multilateral process? How do we look at the accession of China and Chinese Taipei? How would it affect, then, the dynamics of the WTO? How do we make sure that the current trend of the bilateral and regional trade pacts and free trade agreements does not undermine the multilateral system? And how do we strengthen our financial markets and corporate governance to create the capacity to withstand any future financial crisis? I think I actually have answers to almost all the questions.

First of all, in terms of the severe backdrop against which we hold this conference, the 911 incident, I am actually coming away from the conference with a sense of confidence that the 911 incident is not going to create permanent damage. And the reason is because the world will not let it create permanent damage. The world is saying that, yes, we are in a recession,

and yes, the 911 incident, the terrorism problem is going to impact and make it worse. But we are not going to let that happen if we can possibly help it. And I think I come away with the enthusiasm that really we are going to solve that, we are not going to let 911 create permanent damage on our world co-operation in terms of advance of globalization or the institutions that we have in the world.

Brian Chau, in his talk on the first day, gave us details of Seattle. So by the same token I took away from that that Seattle did not collapse because there were people against it and there were demonstrators. Seattle collapsed because the trading communities were not ready at that time to solve some of the problems that they were facing. And they were much more ready at Doha than they were in Seattle. So I came away with the impression that the demonstrations in Seattle was a wake-up call that we should look at globalization not just in economic terms but in human, cultural, social terms. And I think that is really what the theme of this conference is all about: globalization that is more than just economics.

And if I could move on then to the idea of managing globalization. I came away from the conference with the idea that people are sensitized to the fact that there should be, as Minister Rafidah said, a human face to globalization and that it cannot be purely market-driven, and that economies can do something about it. And unexpectedly, we had reinforcement yesterday, at lunch time, when we had John Legere of Global Crossing speaking on behalf of the private sector, saying that if globalization was purely driven by market considerations, then the telecom companies would only connect to the major cities and nothing to the countryside. The haves and the have-nots will remain that way or be accentuated. But he also suggested that what governments can do - and this is the part, I think, where governments come in in terms of their policy - is to package the franchises in such a way that you get Manila if you also do the outlying countryside. And I think that is the idea that has a consensus, I think, that has been built up during the conference almost from every speaker that there should be more social justice in the whole process.

And the idea that came up, of course, was also that globalization was very badly explained to everyone. Globalization and its benefits, I think, Professor Krugman on the first day said that we have done very bad PR on globalization so far, and that is why we have Seattle, that is why we have Prague. That it is in fact not well explained in terms of the way it has raised the standards of living all around the world.

But Timothy Ong, in his speech, also pointed out that inequities is a matter of relativity. Maybe we are all better off than before but some are so much better off than the others that I have a problem with it. And I think we have been sensitized to that. It is also not just a matter of raising everybody's standard of living but also raising the relative rate. Everybody

must somehow be beneficiaries of globalization.

We have some interesting concepts about managing globalization. Let me now tell you what I came away with the idea of: Is globalization making the rich richer and the poor poorer? Is globalization equal to westernization? Is globalization leading to the dominance of big multinational companies? And I came away with the idea - Victor Fung said that every company in every economy must look at the global market and it is not inconceivable that small economies, small companies, can have global markets. So let's look at the evidence and look at Nokia. Finland, a country that is smaller than Hong Kong in terms of population, dominates the world in mobile telephones. Look at the humble beginning of the Hong Kong & Shanghai Bank, HSBC, from Hong Kong itself which is now ranked amongst the global banks of the world, one of the top global banks. Look at the rate of penetration of broadband in Korea, where it is higher than anywhere in the world. Look at the leadership that Japan has on mobile Internet. They are leading the world.

So it is not a matter of mere westernization or only the big companies benefiting. I think all of us just have to embrace the fact that the world will become one market. And whether we are in private business ourselves, whether we are with government, whether we are doing academic research, it is really a global world. My academic friends already tell me that within their fields it is already globalized. Paul Krugman sitting next to me at dinner last night, told me that he could name all the top economists in his field around the world, that it is a global market already in terms of academia. So I think those are the examples that we talk about.

And you say that, well, what about really poor economies? What about economies like India? Well, I can tell you, my friends at Silicon Valley tell me that the word IT does not mean Internet Technology or Information Technology, it means Indians and Taiwanese. That is the industry. And look at India, of all places, becoming a centre for software and other things like that. So, Victor Fung offered a very small idea, he said why cannot Malaysia be the world's leader and dominant player in the latex area, because of their natural advantages of raw material.

So I really come away, I think very satisfied in terms of what I heard at the conference. That it isn't what we had imagined two years ago, that globalization is not just one-sided and that other people do benefit.

Then I asked, what about the multilateral process; what about China and the WTO? And I think that is one of the things that a lot of the participants here are concerned about. And I can tell you, what I came away with, surprisingly perhaps, a lot of speakers talked about the

success of the beginning of the Doha round, but I actually came away with a feeling that perhaps the biggest event in Doha was actually China's accession to the WTO. The new round, of course, will be very important but it is going to take years for the benefits to be discussed, talked about - and I will talk a little bit about that later.

But China's accession changes the equation. One-fifth of the population of the world will now be a part of the world trading system. And on top of that, when we heard from Minister Long on his presentation, we realized, I think, that the dynamics, perhaps, of WTO will change because as Charlene Barshefsky said in her luncheon presentation, China is not just going to be a player in WTO, it is going to be a shaper. They are going to influence the way that the world changes, because of its size, because for the first time, perhaps, you have a developing exporting market primarily, that actually has a large domestic market that all the advanced economies want to get into and tap, and therefore, they now have a different kind of weight and balance to the whole WTO formula. Again, please, you are all experts, I am just a business guy looking at this. That is the way I look at it.

But anyway, I also came away with the idea that not only is China going to be an important player but they are very sincere in terms of abiding by the rules of WTO. I came very much away with the idea that China will abide by the rules. I think they will abide by the implementation schedule. I think the challenge is in enforcement. And as Mr Long said, the road to Doha was a very long road. It was 15 years in the making; he participated in 10 of those 15 years. But the road to enforcement is another long march and I think that is the area where I think we all need to give China some time to adjust. Afterall, it is a very big country.

Let me tell you another thing that I came away with. I was very concerned. One of my questions was that would this new fashion, this new trend of regional trade agreements or bilateral free trade agreements undermine the whole multilateral process, and I came away with the following idea. I think that - you know it is not my invention - many speakers told me the RTAs could be either stumbling blocks or they could be building blocks. And I came away with the idea that they could be building blocks if it is managed properly. But I asked myself why are people all looking at RTAs? Why are people all looking at bilateral free trade agreements instead of all joining in and making sure the multilateral system is moving and can do the job? And I think I came away with one very important thing. I think it is a matter of frustration with the speed with which the multilateral process moves. And here I would beseech all government people here, especially those involved with the WTO process. We are now living in a world of internet time. We cannot afford a Doha round that lasts 10 years, we cannot afford to wait for another five or ten years. Otherwise people won't wait. People will just say, well, we will do our bilaterals, we will do our RTAs. Yes, we will make

it WTO consistent but we are not willing to wait.

And I know that there are processes and I know there is protocol, and I have been taught a very big lesson in that when I joined PECC many years ago. But I would like to urge that we are now living in internet time. We need to get the multilateral system going faster, so that there is no need for these RTAs, there is no need for these other arrangements other than a multilateral system, which I think we all agree is the best vehicle if we could manage it.

What about the financial markets? What did I come away (with) in terms of the need to strengthen financial markets? I think the thing I came away with, listening to Joseph Yam and his other panelists, is the fact that you cannot blame everything on globalization. There are fundamental weaknesses, perhaps, in a lot of economies and in the financial markets that needed to be shored up, and it is very convenient to say, well, this is the surge of hot-money, it is because there are no more barriers to hot-money flows that we have these problems. That is part of it, I am sure. I am not saying that that is not part of the reason. But I think it also is a convenient way to hide the fact that we have a lot of structural problems internally, and those must be addressed. And I am really glad to hear from most of the speakers that that is being addressed by most of the economies. The lesson of the Asian financial crisis has been learnt and it has been learnt very well.

Corporate governance is a major plank of that. Corporate governance - and here I must say I am very proud of the work that PECC has done in this area. Jesus Estanislao and his team have really put corporate governance, I think, on the map for PECC. It has a PECC face on it - the adoption by APEC and so on - and we will be continuing. We are continuing the work that is going to be done by OECD, World Bank, in terms of setting up the private sector advisory group. We are going to have our own East Asia Business Sector Advisory Group on corporate governance to support that effort. And the whole idea is that we must introduce transparency. Very simply put, transparency rather than rules-based corporate governance, is really the key thing.

One very interesting remark I heard during the conference, that while we talk a lot about the private sector and corporate governance in the private sector, what about governance in the public sector? What are we doing? You know we have still a lot of governments that are not transparent, we still have a lot of governments that could use some of the things we talk about in the private sector.

Finally, I think I would like to end by saying that the last session, I think really brought everything together. I think rather than just looking at pure economic ramifications of globalization, perhaps we should really look at globalization as not the obstacle to, but as a

means of helping build communities in the Pacific and other places. And in particular, Michel Rocard was a speaker showing how it is not a daunting task. If you look at what the EU has achieved in much more of a community building than we have here. Of course I also agree with Edward and the other speakers that we need community building with our own characteristics and that is the diversity of our system. And I don't think we need a political system. We need an apolitical community building system. But having said that, that ultimately is the goal. Because in the end, for me economics is just part of the whole - one of the facets of society and I don't think we can talk about economics in isolation of the rest.

So I think with those words, it is really, as I said, a businessman's look at this conference. I think for me it has answered really more than the two or three things that Edward said I should be looking for. I hope that all of you have enjoyed this and go away with the same idea that you have learnt maybe a few things. Because in the end, being a businessman again, I am obsessed with the idea of value for money and deliverables. I would hate to think that we spent so much effort putting together this conference and for you all to go away thinking that, well I don't know what I learnt but there were a lot of nice speakers.

I would like to end by saying that I have been very proud of PECC. It is a great source of pride for me that PECC has been able to mount this kind of conference and to the extent that we can affect government policy anywhere to the better, then I think PECC would have achieved its mission.

The last thing I would like to do, it is really now my great pleasure - it is greater than you think - to introduce my successor, Pehin Lim Jock Seng from Brunei, who is the Permanent Foreign Secretary for Brunei. After two years of really very stimulating, I think, work with PECC, I have learnt so much from my colleagues here that I think it is already time for me to step down. And I do that, as I said, with greater pleasure than you think. But it is now with even greater pleasure that I want to introduce Pehin Lim Jock Seng. Thank you.