

STATEMENT BY SINGAPORE

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"Trade and Development - 40 Years On"

Chairman
Excellencies
Ladies and Gentlemen

1 The world is now a very different world than when UNCTAD was formed some 40 years ago.

A Better World 40 Years On

2 Many countries now enjoy a higher standard of living. Economic progress has been, with very few exceptions, a truly global experience. Of course it has not been equal. But progress has been almost universal. There can be few people who, in terms of their material welfare, would willingly change places with their compatriots from 40 years ago. Even allowing for some isolated reversals that have taken place in some of the world's more unstable places in recent years, life expectancy, infant mortality, absolute poverty all show improvement almost everywhere since the end of the Second World War.

3 Singapore is a major beneficiary of this wave of global progress. Singapore was not expected to survive as a country when we separated from Malaysia and became independent in 1965. However, in less than 40 years, Singapore managed to transform itself from a tiny little island into a thriving city state with first world living standards. Singaporeans today enjoy all the conveniences of modern living. Furthermore, Singapore is ranked as the second most competitive nation in the world after the US according to the IMD's World Competitiveness Yearbook 2004.

4 We are now witnessing an enormous transformation of many other developing countries such as Brazil, China, India, and Mexico. According to the IMF, these countries, with a combined population of more than 3

billion people, have on average increased their annual per capital economic growth from 1 percent in the 1960s to 3 percent in the 1970s and 5 percent in the 1990s. In China, for instance, real per capital income has increased more than five fold since 1978 and the number of people living in absolute poverty has fallen by 200 million. These countries have doubled their ratio of trade to income, and many of these countries now no longer export only raw materials, but also finished products and services.

5 One can observe other notable improvements. While in Industrialised countries life expectancy increased by about 10 years from 1950 to 1999, it increased by nearly 20 years in developing countries, and in India and China it increased by nearly 30 years. It now averages 65 years up from 40 years half a century ago. In East Asia and the Pacific, infant mortality rates have dropped by nearly 60 percent to 39 per 1000 births between 1960s and 1990s. Literacy rates have risen worldwide to around 80 percent for men and 70 percent for women.

6 The prospects for further economic growth look promising. After a long lag, the global recovery seems to be heading upwards finally. In its latest world economic outlook, the IMF has talked about "the springtime of recovery". After some 2 years of stagnant performance and pessimistic figures, economic performance seems to be "booming" now in many countries of the world, including developing and transition economies. The IMF's increased forecast for global growth in 2004 and 2005 relies on positive signals sent by dynamic economies of China, but also the US, India, Japan, Brazil, Argentina, and Russia. There is much to be hopeful for.

Risks and Challenges

7 But there remains risks which may threaten the global economic recovery. Oil prices are rising due to uncertainties in the Middle East and rising demand in the US and China. There are also worries that US interest rates could rise to choke off US economic growth and that the booming Chinese economy may suffer a hard landing. The Doha round may fail to take off. Countries may turn inward and protectionistic.

8 Not all people are benefiting from the improved conditions. According to a World Bank classification, nearly 1.2 billion people - one fifth of mankind - continue to live in absolute poverty, with incomes less than US\$1 a day. In many countries, durable economic and social progress remain elusive. In most of these countries, trade has decreased in the last 20 years

and on average, economic growth has not kept pace with population growth. The fight against poverty remains an uphill battle.

9 History shows that progress can be halted, and even reversed. The basic policy challenge, from a global perspective, is thus one from moving from the initial recovery into a phase of sustained expansion of global incomes to raise the tide higher to lift all boats, big and small.

Singapore's Approach

10 Singapore's success over the last 40 years would not have been possible if we had turned inwards and shut ourselves from the increasingly globalised economy. There were a number of strategic choices that Singapore made in the last 40 years which led to our success. First, historically, Singapore was a free port. With a tiny domestic market, Singapore had chosen the road of free trade in a globalised economy to achieve sustainable economic development. We pursued an export driven industrialisation policy, slashed trade barriers and actively sought foreign investments. Second, we viewed MNCs as playing an essential role in expanding our trade networks, upgrading our economic capability and bringing in investments. They bring in capital, technology, management know-how and access to world export markets. We recognised that for local industries to be competitive they had to co-exist and be able to compete with MNCs on an equal footing. We have therefore allowed open competition not only among domestic firms, but also from foreign firms and products. Third, we had a strong regulatory framework that emphasised the rule of law, a sound financial system, and good governance.

11 In sum, free trade and harnessing globalisation were the two key portals from which we have effected development in Singapore. Singapore opted for greater openness and liberalisation as we were convinced that embracing globalisation presented more opportunities than risks. In our view, globalisation is unstoppable. Our fundamental approach is to maximise the opportunities and minimise the risks and costs of globalisation. We recognised that liberalisation needed to be paced and sequenced correctly. However, there was no question about the general direction that we needed to go. Accordingly, while we strategically plugged ourselves into the global economy, we were also cognisant of the need to ensure that our domestic conditions were conducive to meet the challenges and maintain the competitive edge of our local industries.

12 But we could not have succeeded without the close cooperation of our trading partners who operated under a rules based multilateral trading system that kept markets open and ensured that smaller countries are treated fairly. In this regard, Singapore has always been a key supporter of the WTO and the Doha Round. We believe that the successful conclusion of the Doha Round is the best way to ensure that markets are kept open.

13 We have also been a key proponent of greater inter and intra regional cooperation. As a small city-state, Singapore understands too well the importance for Asian countries to continue strengthening intra-regional linkages. In ASEAN, Singapore has been an active advocate of closer economic integration. Most of the Southeast Asian region is now a free trade area. Accounting for over 96 percent of all ASEAN trade, the first six signatories of the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area have reduced their tariffs on intra-regional trade to no more than five percent for almost all products or removed them altogether. More recently, ASEAN Leaders agreed to establish an Asean Economic Community (AEC) by 2020. The AEC aims to create a single market and production space, where there is free flow of goods, services, investment, capital and skilled labour. These initiatives were meant to harness the members' various resources and strengths, integrate them, and in this way increase their competitiveness and that of the region. A McKinsey study estimated that an integrated ASEAN could increase the region's GDP by at least 10 percent, and reduce operational costs by up to 20 percent. This amounts to an additional GDP of US\$50 billion for the whole of ASEAN.

14 Singapore is also a firm supporter of Asia building links with others outside the region, particularly with the US, Europe and Japan, and newer nodes of growth such as China and India. A weakening of these ties would mean fewer sources of investments and growth. It would also mean a less integrated global trading system. Singapore has thus actively worked to support important international organisations such as the WTO, APEC, Asia Europe Meeting (ASEM), Forum for East Asia and Latin America Cooperation (FEALAC) and ASEAN.

Policy options

15 Based on our short developmental experience, there are a number of steps that we can take to ensure trade and development continues to eradicate poverty and improve the livelihood of all.

16 First, we can trade up to a better world. At the global level, expanding trade by collectively reducing barriers is the most powerful tool that countries, working together can deploy to reduce poverty. The World Trade Organisation has brought hope to many developing countries after the end of the Cold War. It has demonstrated that globalisation and open markets can give hundreds of millions of people a better life, provided the rules are transparent, fair, and equitably applied to all countries, rich and poor, big and small. According to the World Bank/IMF estimates, the successful conclusion of the Doha Development Round could lift 140 million people out of poverty by 2015. It is therefore crucial for all of us that negotiations on the WTO Doha Development Agenda be put back on track quickly. The key to success is greater political will by developed countries to remove trade-distorting subsidies and open markets to developing countries. Developing countries should play their part too but without full reciprocity being insisted of them.

17 Second, we can promote greater intra and inter regional cooperation. At the regional level, efforts can be taken to work together to foster intra regional integration and promote "prosper thy neighbour" policies. Thanks to intra-regional trade, Asia has continued to grow rapidly at a time when the economies of the US, Japan and Europe were slowing down. Asia, Latin America, and even Africa have realised the benefits of greater regional cooperation and are working to promote greater integration and growth and development in their respective regions. This is a healthy trend worth supporting so long as these countries remain open to trading with other countries from other regions. A regional focus that remains open to the rest of the world will engender greater long-term growth prospects.

18 But more importantly, greater inter regional cooperation and cross regional linkages can also help support the growth momentum at the global level. For example, a major emerging trend is the rise of regional nodes of growth among developing countries. For example, Asia, with big developing economies such as China and India, is now serving as an important market for developing and developed countries alike. What this means is that there are not only greater prospects for South-South trade, but also North-South trade! UNCTAD's first Secretary General Raul Prebisch's thinking holds true today. He believed that when the South grows, its growth creates new markets and feeds the demand for imports from the North, as well as from other counties in the South. China is now not only an important export market for developing countries like Brazil and Argentina but also for North America and Japan.

19 Third, domestic economic policies must continue to be geared towards building resilient and competitive economies. At the national level, steps must be taken to strengthen and diversify domestic sources of growth. It requires pursuing policies that make economies more flexible and capable of absorbing economic shocks more easily. It requires maintaining a good business climate conducive to investment, growth, and employment creation.

20 Fourth, continued support from multilateral institutions. Apart from the above policies, multilateral institutions can also play a useful role to support the growth momentum, particularly among developing countries. The IMF and the World Bank for example has recently launched the Trade Integration Mechanism. This allows the IMF to stand ready to provide resources, as necessary to assist member countries in meeting balance of payments shortfalls that might result from trade liberalisation. This is an important initiative that will help developing countries deal with the transitory shocks that may come from greater trade liberalisation.

UNCTAD's role

21 Which brings me to my last point. UNCTAD too has played and can continue to play an invaluable role. At its 40th anniversary, it is worthwhile to recall that UNCTAD was set up exactly 40 years ago, in 1964, to deal with the problems of trade, development, and poverty. UNCTAD was established precisely because of the belief that trade and development does have a direct impact in alleviating poverty. UNCTAD has earnestly worked to clarify this link. In this regard, UNCTAD has helped to promulgate policies and best practices in manufacturing, services, investment, technology, enterprise, and managerial capabilities.

22 A major focus of UNCTAD's work is to build up supply capacities of developing countries. In this regard, UNCTAD is a keen proponent of foreign direct investment. It recognises that FDI can bring not only capital but also technology, know-how, managerial capabilities and the possibility of integrating into the globalised chains of production and distribution. Indeed, UNCTAD's annual publication "World Investment Report" is now probably the most authoritative compilation of studies and data on investment at the global level.

23 UNCTAD has also worked with other institutions, such as UNIDO and the Common Fund for commodities to help developing countries to improve the operations their SMEs and to upgrade the presence of developing countries in commodities exports through value-add and diversification.

24 The advice and consultancy services, and the training programmes that UNCTAD administers, have helped many developing countries improve their trade and development prospects, which in turn help the countries to be in a better position to alleviate poverty in their countries.

25 Clearly, UNCTAD has helped to improve the lot of developing countries in the last 40 years. We therefore applaud and support the work of UNCTAD at its 40th Anniversary as we believe that UNCTAD truly has a role to promote trade and development among developing and between developed and developing countries. Through the practical work that it does, UNCTAD can serve as a useful and relevant forum for the global fight against poverty.