

Copying Development

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Economy

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Mahbubani was recently in Cairo to launch the Arabic edition of his latest book *The New Asian Hemisphere: The irresistible shift of global power to the East*. He spoke to Niveen Wahish about the success of East Asian economies and how others can succeed, grow and develop.

Can the rise of East Asia be emulated? Is it something that everyone can do?

Yes. The tragedy is that more countries are not developing as fast as Asian countries.

The reason I wrote my book *The New Asian Hemisphere* is to talk about the seven pillars of Western wisdom: free market economics, mastery of science and technology, cultural pragmatism, meritocracy, culture of peace, rule of law and education. Any society can implement these. We should stop believing that only Western societies can develop or only Asian societies can develop. Any society can develop. The most important thing I emphasise is that you must have the psychological confidence that you can do it.

But you need psychological confidence in the whole population, not just a few.

It begins with leadership. If you look at the story of East Asia, it began with a few leaders believing that their society can be as good as others. Then the leaders educated and convinced the population. They sent people overseas to study and train. For a long time there was a one-way stream of East Asians going to study in North American universities and that never came home. Now they are coming back.

It is often said that the Asian people are resigned to totalitarian regimes in return for economic welfare.

The biggest danger we face is Western disinformation. The West would like to say that the only reason Asian societies are succeeding is because they have totalitarian governments. It is true that China has a communist government. But the other equally successful country is India. And India is a democracy. The critical variable is not whether you have an authoritarian or democratic government because both can succeed or fail. The critical variable is what policies these governments apply.

Whether or not Egypt wants to choose the democratic or totalitarian way is up to it. The form of government does not matter, what matters is whether or not you have a government that is committed to implement these seven pillars of Western wisdom. And if you implement them regardless of your political system, you will succeed.

Is this the pragmatism you talk about in your book, and the fact that it does not matter which ideology you adopt?

Exactly. You are doing more good in your country if you are pragmatic because when you manage to deliver economic growth you lift millions of people from poverty. China had 800 million people living on less than \$1 a day. Now this figure has gone down to less than 200 million. Some 600 million people have been rescued from absolute poverty. That is the biggest good you can do. When people do not have enough to eat, have no jobs and cannot travel, there is no freedom. Freedom comes from having these basic needs met first.

The mistake that Americans make is to focus on political freedom when in fact from the point of view of the Chinese people what is more important is personal freedom. If you are pragmatic and you apply the right policies regardless of ideology, and you can develop, then people benefit. At the end of the day you must ensure that your policies benefit the people.

What was Singapore's growth secret?

Singapore applied the seven pillars very well. There is no subsidy of any industry; the price of gasoline is kept very high so that people use energy efficiently. Singapore has become one of the leaders in research in biotechnology. We also have cultural pragmatism. Whatever problems Egypt has, somebody somewhere has solved it, so go copy it.

The culture of meritocracy is about how you use the unused brainpower in your society. The biggest secret of Asia is that it has always had the largest pool of brainpower, but we also had the world's largest pool of unused brains. Now this pool is being used.

It sounds easy. How can it be implemented?

Education is the key to success. In Singapore, we began by copying [educational systems] from Europe, the UK and the US. Now, amazingly, the textbooks used in Singapore's secondary school are so good that schools in America are copying them.

If a poor country like India can do it, there is no reason why Egypt, with more resources, cannot.

You did not worry about your cultural identity getting lost while copying others?

We must have more faith in our people. With education your mind opens and you are able to understand your own history even better. We believe that with education society will improve dramatically.

Many societies tend to look at people at the very bottom as a liability not as a resource, whereas we should see them as a potential pool of brainpower that can be developed.

Some people in Egypt believe a large population of 80 million is a liability.

We in Singapore, a society of only four or five million people, would love to have a population of 80 million. The larger the population, the greater the chance of harvesting geniuses. But you have to give them opportunities.

You can never tell where that brain will be. It is not true that those who are born as children of the upper class are naturally brighter than the children born at the bottom. You have to give the people at the bottom the opportunities to develop. That is the real secret of the success of East Asian countries. They have looked for talent at the very bottom. They have given equal opportunity when it comes to education.

You must see your large population as an asset. Eighty million people are nothing compared to India's 1.3 billion. India, with this population and more poor people than all of Africa, can create a sense of momentum, dynamism and growth.

What other lessons can be learnt from Asia?

One reason why Asian economies are growing is that they have the open skies policy. Most countries only want to protect their airlines, but when you protect your airline you create a choke point on your economy. What China did is to open many cities to international airlines so businessmen could travel all around China. There are many businessmen who want to get to Africa and they do that through Paris. Why isn't Cairo the hub for Africa?

Does this same principal apply to industries?

Protecting industries is the most dangerous thing. You can only protect for a while, and it only becomes uncompetitive. If you want somebody who is on crutches to become the fastest runner, you have to take away the crutches and leave them to try. If you keep industries on crutches, they will never become globally competitive.

What if they fail?

Many will fail, but that is the whole point. Let the international principles of comparative advantage work. Bangladesh was always seen as a society of no hope. Now it's a society of hope. When you open up your

economy, investors will come.

But some people view foreign direct investment (FDI) as exploitative.

The reason why Singapore was among the first Third World countries to succeed is because it opened its door to FDI while many Third World countries closed their doors. We opened up our economy and initially we got low wage industries like textiles and toy makers. Today we manufacture jet engine parts, we have pharmaceutical factories, and we have the leading industries in the world.

You must let the market decide which industries will survive and which will not. If you allow that to happen you will get more globally competitive industries.

What about discontent from the general public?

The Chinese are not demonstrating because they have seen their income go up and there are more opportunities available.

People can be educated about the success stories of others. It is good to go and study the development experience of East Asia because many of these countries have experienced real poverty -- worse than Egypt's -- and yet they have become successful.

People with no jobs are the most discontent in the world. You may lose a specific job, but it is better to have an economy that is constantly creating new jobs than one that is not creating new jobs.

To have job creation, you must have job destruction. The concept of creative destruction is an important part of capitalism.

Is there need for a transitional period, or a safety net?

The best safety net you can give is retraining. The most dangerous safety net is the welfare system. You must create incentives for employment not unemployment. In this recent crisis our economy was supposed to shrink. We could have created unemployment benefits; instead we created employment benefits. The Singapore government gave every employer who was employing someone 10 per cent of that person's salary.

Has the global crisis changed any of your beliefs in the seven pillars?

The crisis has demonstrated how Asia got things right and Europe and the US got it wrong.

The culture of pragmatism -- where you have both the invisible hand of free markets and the visible hand of good governance -- was much better than the Western belief that the market knows best and governments

should step aside.

You do not think that Asian wisdom had any role in your growth?

There was a role for some Asian values, such as belief in education. But there is a lot of Asian wisdom to be rediscovered. There will be a massive Asian renaissance just as there will be renaissance of the Islamic world. But for that to happen you need to develop your economies first.

The healthcare system in Singapore is said to be one of the best in the world. Why is that so?

Everybody has access to hospitals, but they must pay something symbolic. This creates disincentives for people to abuse the healthcare system. When people are given free healthcare and medicine they abuse it. You must have a pricing mechanism to allocate resources. The pricing mechanism determines human behaviour and it is the best solution for many scarcity issues.

Should the role of institutions like the IMF, World Bank and World Trade Organisation change after the global economic crisis?

With the rise of Asia, there will be a shift of power to Asia. And all the global institutions will have to reorganise themselves to reflect the new balance of power.

We have come to the end of the era of Western domination of world history, but that is not the end of the West. You will have other successful civilisations joining the West.

The West has now got to learn to share power, which is difficult. Even though America and Europe believe in democracy at home, they do not believe in democracy globally.

The trouble we had is that our policymakers used to go to Europe or to the US but their development experience is not relevant to us. Now if you want to see a city of the past you go to Paris, if you want to see a city of the future you go to Shanghai. All policymakers must change their travel plans. They must stop travelling to Europe and start going to Asia.