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“HOW CAN THE WTO HELP HARNESS GLOBALIZATION?”

Excellencies,
Distinguished Guests,
Ladies and Gentlemen,

The world faces many daunting global challenges. Let me mention a few. Will the West accommodate or resist the rise of Asia? The answer to this question will determine the course of the 21st century¹. Will we come together to handle global warming? Or an outbreak of bird flu? Will terrorism become a sunrise or sunset industry? Finally, will we eradicate global poverty?

Let me begin with some good news. The challenge of global poverty is one global problem we can solve. Indeed the goal of reducing global poverty by half by 2015 is one of the few UN Millennium Development Goals (MDGs) that we will successfully meet. We will probably reduce the number of people living on less than a dollar a day from 1.25 billion to just over 600 million.² This would be a spectacular achievement and enhance significantly human happiness all round the world. If it happens, I believe that the WTO can claim much of the credit for this happy outcome.

Let me also begin with a personal account to explain my optimism. When I was born in 1948, Singapore was a typical developing country. My family was also poor. The six of us lived in a one-bedroom house paying US\$6 a month in rent. On my first day in school in Grade 1, the school principal weighed me. He decided that I was malnourished. Hence, in the first few months of school, I had to go to his office at every recess with a few other children. Each of us had to ladle milk from a bucket in his office and drink it. From these unpromising beginnings, I went on to become Singapore's Ambassador to the UN, living in a luxurious 6-bedroom apartment worth US\$3 million in Manhattan. By my standards, I have had a remarkable journey. Each day, I

¹ My next book “The New Asian Hemisphere: the irresistible shift of global power to the East” discusses this question in depth. It will be published in New York in February 2008. Please see www.mahbubani.net.

² 2007 MDG report states current figure is 980 million poor as of 2004
<<http://www.un.org/millenniumgoals/pdf/mdg2007.pdf>>

become more confident that millions more can enjoy similar remarkable journeys.

Just look at what China and India have accomplished in the past few decades. In 30 years, the number of poor people in China has gone down from 600 million to 200 million. To quote Joseph Stiglitz, former Chief economist at the World Bank, “Never before has the world seen such sustained growth; never before has there been so much poverty reduction.”³ India started its economic liberalisation later. Hence, the number in India has gone down from 323 million to 260 million.⁴ The success of China and India, the world’s two most populous countries, in reducing global poverty explains why we will meet the UN Millennium Development Goals by 2015.

Why are China and India succeeding? The older I get, the more I realise that big truths can be very simple. The simple reason why China and India are succeeding is because they have bought and are implementing the essential WTO vision that both they and the world will be better off by opening and liberalising their economies, especially in the field of trade. Indeed the world as a whole is better off because global trade has exploded from 7 percent of the world GDP in 1940 to 30 percent in 2005,⁵ and total global exports have ballooned from US\$58 billion in 1948 to US\$9 trillion in 2004.⁶

The great tragedy that the world could face today is that just when we have figured out how to eradicate global poverty and make the world a better place, the traditional champions of trade liberalization – the European Union and the United States – are beginning to lose heart. This explains why the Doha Round is struggling. I am not a trade expert. I have heard many complex and complicated explanations on why we are at an impasse. They have to do with complex agricultural issues. We can spend many hours unravelling these technicalities but in the end we will come up with the same simple answer that the little child came up with in the famous Aesop fable. Only he had the courage to say that the emperor was naked. Similarly, it takes equally great courage to state an equally obvious truth: both the European Union and America are making a massive U-turn away from trade-liberalisation while simultaneously pretending that they are not.

In this new context, the role and responsibility of NGOs has to change dramatically. I never understood why so many NGOs took to the streets in Seattle in 1999 to protest against the global trade liberalisation. I presume that

³ See commentary by Joseph Stiglitz in *The Guardian*, 13 April 2006.

⁴ National Human Development Report 2002: pg 38. These figure measured between 1983 to 1999/2000.<[http://www.unrisd.org/80256B3C005BCCF9/\(httpPublications\)/AFA456B71A0BD335C1256FFF0052FE69?OpenDocument](http://www.unrisd.org/80256B3C005BCCF9/(httpPublications)/AFA456B71A0BD335C1256FFF0052FE69?OpenDocument)>

⁵ Thomas H. Hoening, “The Global Economy,” Northern Colorado Summit on National Economic Issues, Loveland, Colorado, 15 September 2005.

⁶ Opening remarks by H. E. Nitya Pibulsonggram, Minister of Foreign Affairs of Thailand, at the international conference, “Foreign Ministries: Adaptation to a Changing World,” 14 June 2007.

they believed that they were protecting the poor people of the developing world from the vicious and rapacious attempts of the developed countries to tear down their trade barriers. Actually, without intending to do so, the NGO demonstrators actually protected the interests of the rich countries and damaged the interests of poor countries.

This is a strong claim to make. Let me support it with one big fact. In 1999, around the time of the Seattle demonstrations, China was engaged in tough negotiations with both America and the European Union to get into the WTO. Both America and the EU thought that they were defending their interests by setting a high bar for China's entry into WTO. They forced China to liberalise in many areas, including the banking and insurance industries. Despite the many difficult demands thrust upon it, China decided to jump over the high bar and absorb the short-term pain of making these adjustments. China joined the WTO in 2001. Six years later, we can see the results. Its GDP increased from roughly US\$1.3 trillion in 2001 to US\$2.2 trillion in 2005, registering an averaged annual growth rate of 9.5%. In the same period, the per capita GDP grew from US\$1,042 in 2001 to US\$1,700 in 2005.⁷ China continues to have the world's fastest growing economy in the world. Why? Because it decided to liberalize its economy.

Few people are aware today that China had to overcome massive obstacles to join WTO. The then Chinese Premier, Zhu Rongji, took huge political risks and almost failed because he had to deal with an embattled American President, Bill Clinton. Let me read an excerpt from an article written then: "But the China that at last could say yes to American demands encountered an America that at last could say no to Chinese deals. Expecting to find in Clinton a resolute warlord reinvigorated by his escape from the Lewinsky scandal, the supremely confident Zhu Rongji found instead battle-beleaguered Bill, not the comeback kid but a man cornered by the miscalculations of his diplomats and generals. The President's unreadiness for the Chinese concessions was reinforced by a political team that sensed he was not in shape to open a new front with Congress, an impression no doubt increased by opposition from his own supporters, such as the unions and human rightists...Having signalled for months what was needed for a deal, the President then abruptly turned it down. To the Chinese, the Americans had become inscrutable."⁸

Despite this initial failure, China persevered. The world should be glad it did because China has now become an important source of growth for the world economy. According to the IMF paper⁹ in 2004, China accounted for about 24 percent of world growth, using purchasing-power-parity-based GDP. China is

⁷ From the Statement by Vice Minister YI Xiaozhun, Ministry of Commerce of China and Head of the Chinese Delegation to the First WTO Trade Policy Review of China, 19 April 2006, 3.

⁸ Sicherman, Harvey, "The Inscrutable Americans, Zhu Rongji, and The Deal That Wasn't," Foreign Policy Research Institute (www.fpri.org), 30 April 1999.

⁹ IMF Occasional Paper No. 232, entitled "China's Growth and Integration into the World Economy: Prospects and Challenges", by the IMF, Washington DC, 2004.

a major importer of goods and services, especially from other developing countries.¹⁰ Overall, the Chinese economy has become much more competitive. Indeed, it is remarkable to find WTO offices in all corners of China, working hard to educate the Chinese population on the virtues of trade liberalisation.

With such massive evidence available on the virtues of trade liberalisation, the time has come for global NGOs to also change their attitudes towards globalization. The title of our seminar is “How can the WTO help harness globalization?”. The word, “harness” should be replaced with “unleashed”. The more globalization is unleashed, the more it helps the poor people of the world. Hence, instead of seeing globalization as a negative force that could swamp poor countries, we should see it as a new rising tide that could lift poor countries, if they tear down the walls preventing this tide from entering their countries.

Let me give a few simple examples of how globalization directly helps poor countries. With globalization, the number of cell phones has exploded all around the world. In China, the number has gone up to 450 million, having risen by an average of 5.5 million each month since the end of 2005.

The well-known Indian writer Shashi Tharoor has described how the cell phone revolutionized India. He notes that in December 2006, for the first time, seven million Indians subscribed to new mobile phones in one month. He adds, “That’s a world record. In September 2006, India overtook China for the first time in the number of new telephone subscribers per month. We’re still way behind China in the total number of cell phone users (just over 140 million against their 450 million), but each month the gap is narrowing. By 2010, the government tells us, we’ll have 500 million Indian telephone users. China will probably still be ahead, but on a per capita basis there will be little to choose between us.”

Each cell phone can enhance the economic productivity of the owner. An article in the *Washington Post* reinforces this point:

“For less than a penny a minute—the world’s cheapest cell phone call rates—Indian farmers in remote areas can check prices for their produce. They call around to local markets to find the best deal. They also track global trends using cell phone-based Internet services that show the price of pumpkins or bananas in London and Chicago. Indian farmers use camera-phones to snap pictures of crop pests, then send the photos by cell phone to biologists who can identify the bug and suggest ways to combat it. In cities, painters, carpenters and plumbers

¹⁰ Statement by Ambassador Burhan Gafoor, Permanent Representative of Singapore, at the WTO Trade Policy Review Of China, Geneva, 19 April 2006.

who once begged for work door-to-door say they now have all the work they can handle because customers can reach them instantly by cell phone. “This has changed the entire dynamics of communications and how they organize their lives,” said C. K. Prahalad, an India-born business professor at the University of Michigan who has written extensively about how commerce—and cell phone—is used to combat poverty. “One element of poverty is the lack of information,” he added. “The cell phone gives poor people as much information as the middleman.” For Rajan, one of the millions of fishermen who work off India’s 4,350 miles of coastline, monthly income has at least tripled to an average of US\$150 since 2000 when cell phones began booming in India. “The dealers are now forced to give us more money because there is competition,” he said, adding that he is providing [for] his family in ways that his fisherman father never could, including a house with electricity and a television.”¹¹

In many Western minds, one Asian country that seems to have an automatic association with poverty is Bangladesh. Nevertheless, Bangladesh has benefited from the spread of cell phones. In 1993, this country of 142 million people had a scant US\$3 million of foreign investment. But that was before the country witnessed the launch of the first cellular phone operator, GrameenPhone, Bangladesh’s largest telephone company, and the ensuing cellular revolution. In 2007, Bangladesh has five cellular phone companies and US\$2 billion in foreign investment. “Adding one cell phone to Bangladesh would add US\$6,000 to the national GDP,” according to Nick Sullivan, author of *You Can Hear Me Now: How Microloans and Cell Phones are Connecting the World’s Poor to the Global Economy*. Sullivan cited a World Bank projection that if countries in South Asia continue growing at a 7 percent rate, the incidence of poverty would be reduced from 50 percent to 20 percent. “In addition to becoming a talking device, the cell phone has fast-forwarded to acting as a mini-PC, which is used for mobile banking. People who did not have bank accounts two years ago are now transferring money via mobile phones,” Sullivan said, adding, “This is a silent revolution as dramatic as the Industrial Revolution. You can see the lines crossing between foreign direct investment going up and foreign aid going down. We’re at an extraordinary tipping point actually.”¹² In short, globalization is helping the poorest people in the world.

Cell phones are only one small aspect of globalization. The spread of television sets and the internet are equally important. Indeed in December

¹¹ Kevin Sullivan, “For India’s Traditional Fishermen, Cellphones Deliver a Sea Change,” *Washington Post*, 15 October 2006.

¹² “Can Cell Phones Fix World Poverty? Author Nick Sullivan and GrameenPhone Co-Founder Iqbal Qadir Discuss at the Aspen Institute,” February 21, 2007, <http://www.aspeninstitute.org>; Nicholas Sullivan, *You Can Hear Me Now: How Microloans and Cellphones Are Connecting the World’s Poor to the Global Economy* (San Francisco: Jossey-Bass, 2007), 145.

2006, I read an amazing story about a political party in the southern Indian province of Tamil Nadu, the Dravida Munnetra Kazhagam (DMK), which, in an effort to gain votes, had promised to give away free color televisions. It had already handed out sixty thousand TV sets and planned to give away thirty thousand more. In justification, DMK's party secretary, Mr. T. K. S. Elangovam explained the move by saying that color TVs had become a necessity. "Nowadays, it is not just entertainment, it is more, it informs about health, politics and public awareness issues," he said.¹³

I agree with Elangovam that television sets can have beneficial effects. One key reason why the Chinese economy exploded after economic liberalisation is because Deng Xiaoping made a very brave decision when he visited the United States in 1979 to meet President Carter. Until then, communist propaganda in the closed Chinese society had told the Chinese people that they were living in a "Socialist paradise" while the poor American workers were being exploited by rapacious capitalists. When he arrived in America, Deng Xiaoping told the Chinese TV station to show the actual homes of American workers, with cars, refrigerators, and washing machines evident everywhere. This was a shock to the Chinese population. But it was a shock that woke them up and made them determined to catch up. By contrast, a Soviet Prime Minister who visited Singapore in the 1980s was shocked to see fresh fruits in a workers supermarket. He assumed he was in a Potemkin village. The Soviet elite had kept themselves ignorant.

Similarly, if the rising tide of globalization could bring new flows of information to the developing societies in Latin America or Africa, Asia or Oceania, it would help to motivate the populations to strive harder. There is one simple fact I would like to emphasize: poor people do not like being poor. They are looking for ways and means to improve themselves, even those who live in slums.

Globalization brings many other benefits to poor people. It eradicates distances. They can sell their products and services globally. The workers in call centres in India or the Philippines do not have to leave home to get good jobs. It spreads best practices. When I was in Pakistan in early September, I was amazed by the depth and scale of economic structural reforms Pakistan had put in place. This too explains why Pakistani economy is taking off. The poor in Pakistan are better off. Globalization also delivers education. For a long time, the majority of the world's population had no access to major libraries or sources of information. Today, they have Wikipedia. If we succeed in spreading the \$100 laptop and cheap solar power, the world can really take off to a new level.

¹³ "The Big Election Offer—Free Colour TVs", *Straits Times* (Singapore), 30 December 2006.

In conclusion, let me end by apologising for my optimistic faith in globalization. I am amazed how much globalization has changed our world. As a child in Singapore walking to school to drink my ladle of milk, I asked my classmate, Morgan, where he wanted to be when he grew up. He replied, “London, of course”. “Why London?” I asked. He replied that the streets there were paved with gold. All the hope and optimism was in America and Europe. Asia looked dark.

Against this backdrop, I am amazed by the new trend of pessimism sweeping across America and Europe. More and more of their citizens believe that they cannot compete with China and India. Hence, instead of reducing trade barriers, they have begun to quietly increase them. If this trend gathers pace, it would be fatal – both for the developed countries and the world at large. We would lose a magnificent opportunity to build a better world for all.

When Ronald Reagan was President, he said, “Mr Gorbachev, tear down this wall.” We should remember this wise advice. Hence, the message coming out of this conference should be an equally simple one – to both the developed and developing countries – “tear down the new walls.” Let us not try to harness globalization. Let us unleash it. In so doing, we will finally succeed in eradicating global poverty.