

GLOBALIZATION: CHALLENGES AND OPPORTUNITIES TO THE ACADEME¹

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While I was requested by your President to speak about "Globalization: Challenges And Opportunities to the Academe," I have taken the liberty of commenting more on ASEAN and East Asia.

As a country, we have unfortunately been more inward looking than our neighbors. I therefore thought that we should understand our region first - and from there move to the challenges of globalization. Like the Latin American countries, the Philippine tendency has been to swing from one extreme to another in whatever we do. This is probably due to a common historical background and is quite contrary to the more successful Asian step-by-step approach to the solution of problems.

During the past 40 years I have luckily had a front seat in watching and participating in the progress of every East Asian nation. In establishing offices in these countries, I had the opportunity to meet the political leaders, technocrats, businessmen and academic leaders of each country - and the thousands of young people who became part of our organization. Today, I would like to share with you some of my observations.

To get a proper perspective of development in East Asia, let me take you back a few years.

At the end of the World War II, the United States could do no wrong! Japan and Germany were humbled and discredited. The Philippines, the Asian colony that resisted Japanese aggression the most, saw all its urban centers destroyed - yet it would have elected Gen. MacArthur as president had he been able to run for election. As colonialism ended in Asia, the U.S. was the political and economic inspiration of every newly independent country. But these impatient nations soon found that strong authoritarian leaders emphasizing unity, work and discipline could focus on economic and educational problems and reduce poverty levels much more quickly than the western democratic model. Time was important as the competing socialist and communist countries were

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then confident that their victories in China and Vietnam would attract poor Asians to their side.

Later, our region also saw that Japan and Germany, two countries identified by Asians as "disciplined" and "hardworking" regained their economic leadership in Europe and Asia. In recent years Asians also associate some of the problems of the rich western nations with overemphasis on individual rights and freedom as compared to community rights.

Increasingly prosperous Asia is now more confident and assertive. You are seeing an Asia that is no longer willing to be politically, economically or morally dominated - or lectured to - by the west. In many ways they feel that the rest of the world could also learn from the success of East Asia. For our region, emphasis on economic freedom ahead of political freedom has been the success formula. (After all most of the colonies never had political freedom and gradual increase in the level of political activity as standards of living improved was quite natural.)

I am sure most of you are aware of the "Economic Miracle" countries. The prosperity of the four "Newly Industrialized Countries" (NIC) Taiwan, South Korea, Hong Kong and Singapore has spread to Malaysia and Thailand and this is now extending to Indonesia and the Philippines. China and Vietnam, two socialist countries with growing market economies, have joined this group of dynamic East Asian countries. And even India is changing.

India had mistakenly emphasized political freedom but had closed its market to the outside world. When every indicator of the World Bank showed that it was falling behind China, India had to open its economy.

The Philippine failure with authoritarian rule can be attributed to the failure of Marcos to place national interest ahead of family and cronies. Compared to our neighbors, it was also difficult for our people to accept authoritarian rule and discipline as Filipinos had tasted freedom for many years. As you know in 1998 the country will be celebrating the 100th anniversary of the proclamation of the Philippine Republic.

Let us take a look at the present Philippine setting. President Ramos was very correct in first visiting our neighboring countries before going to the United States and Europe. This has resulted in major investment flows from the region. In the past, foreign investment to the Filipino meant capital from the western nations and Japan and no effort was made to tap the large transnational companies from our more friendly neighbors.

With the solving of the energy problem, the economy is finally moving ahead. All indications are that growth in the first half of this year will continue. Domestic firms,

having raised funds from both local and foreign sources, are building new facilities and entering into new ventures. Foreign investments have sharply increased. The Philippines is now an active player in the regional growth of East Asia.

I would like now to briefly highlight some of the developments that will probably take place in ASEAN in the next five to ten years.

1. ASEAN, with the addition of Vietnam, will be a grouping of over 400 million people - and this will mostly be increased to over 460 million when Laos, Kampuchea and Myanmar join in a larger South East Asian Community. Present ASEAN countries will find many opportunities for investment in the newer members.
2. The ASEAN Free Trade Area or AFTA will most certainly accelerate the present schedule of tariff reduction, especially when they see NAFTA and the European Union being extended to other neighboring countries. Aside from the expanded ASEAN of 10 countries, Australia and New Zealand may want to join AFTA.
3. Cross border investments will greatly increase and this will further strengthen the regional economic ties. Large ASEAN groups like Sime Darby, Robert Kuok, Salim, San Miguel, Keppel, Singapore Telecom, Siam Cement, Shinawatra, CP, are some of the major regional companies that have found that their expertise can be applied in neighboring countries. Other western and Japanese multinationals will join Nestlé, Mitsubishi, Toyota, Nissan, in establishing complementary manufacturing facilities in the different countries to take advantage of the ASEAN Free Trade Area.
4. With increasing prosperity ASEAN countries, like the other East Nation countries, will be more assertive of their own values. The excessive emphasis on individual freedom by western countries runs counter to much of the thinking in Asia. Eloquent and thoughtful leaders like Mr. Lee Kuan Yew and Dr. Mahathir are pointing the way to other alternatives---with solutions quite different from the western model. Economic freedom ahead of political freedom, consensus rather than confrontation, quiet persuasions rather than public criticism, arbitration and mediation rather than litigation, judges to help in speedy enforcement of laws rather than lawyers to delay justice, family unity rather than individual freedom. Yes, even family spanking!
5. Indonesian conglomerates with the largest domestic market as a base, will be expanding not only in ASEAN but in other parts of East Asia. We all hope that they can resolve the economic gap between the Pribumis and the Chinese Indonesians as successfully as Malaysia has.

Singapore will continue to be the hi-tech financial transport and convention center of the region. (The largest convention center in the world, with a seating capacity of

13,000 is now being completed.) In terms of social, economic and political thinking, 5 to 10 years from now, Tommy Koh and Kishore Mahbubani will be filling the rather large shoes of Lee Kuan Yew.

Malaysia, with its rich natural resources, and its government policy of assisting larger and more efficient corporations, will be spreading its economic influence in the region.

Thailand will find itself as the economic center of the nations bordering it - Myanmar, Kampuchea and Laos.

The Philippine economy has recovered and there is confidence in the private sector-oriented policies of President Ramos. But with a political structure like the U.S., it will be difficult to achieve double digit growth. President Bush calls it a gridlock - we call it a traffic jam. Our educated but too westernized leaders will realize that the government structure, together with unrestricted freedom of politics and media, may have to be modified to enable it to maximize economic growth. Again I would like to remind you that economics before politics has been the winning formula for East Asia.

6. China is a nation that will exert greater influence on all the ASEAN countries. It is already a strong magnet drawing capital from all over Asia and the western world. ASEAN countries will have to move even closer to each other - individually the countries will not be effectively heard by China, Japan, the European Union or NAFTA.
7. Growth areas across national boundaries will further intra-ASEAN trade and investment. Singapore and the Indonesian islands of Batam and Bintang, Singapore and Johore in Malaysia, Northern Sumatra and Penang, Southern Philippines, Sabah, Sarawak, Brunei and Sulawesi with possible participation of Darwin in Australia. These are already some of the ongoing growth areas that are tying the ASEAN nations closer to each other.
8. Much of the needed infrastructure in Indonesia, Philippines, Thailand, Vietnam and Myanmar --- countries with large populations, shortage of capital, and the ability to pay for much needed services --- will be built on a B.O.T. (Build-Operate- Transfer) basis. Electric power, water systems, telecom systems, highways, both private and government owned, are already being built and financed from savings of richer countries. Simply put, this is like buying a tractor or car on an installment basis.
9. Control of cross border media by western institutions may meet with greater resistance. Asians looked with favor the purchase of the controlling interest of the South China

Morning Post in Hong Kong by Robert Kuok. Ananda Krishnan, a prominent Malaysian, is getting into the satellite business. Our American friends may find that Asia is as anxious to keep its own culture as the French. The present dominance of CNN will be challenged in a rapidly expanding multimedia setting.

10. Australia and New Zealand, with English as the main language, will attract even more students and tourists from ASEAN, where a growing middle class, with English as a second language, can afford to travel. The political and business leadership of the two countries realize that their future is with their northern neighbors. Understandably, it will take a bit longer for the people, whose heritage is from Europe, to adjust to the new realities.

These observations may be useful to you as we extend our sights from ASEAN to East Asia, which includes the countries to our north.

1. Intra-Asian trade and investment has grown faster than trade and investment with the "western" world.
2. Japanese investments in other Asian countries were greatly accelerated after the Hotel Plaza meeting in 1985 when Japan was forced to revalue the yen. The recent strength of the yen is again causing a rush of Japanese investors to China and Southeast Asia.

Japan's trade and investment in East Asia are now in excess of such flows to the United States.

3. When the United States pressured Taiwan and South Korea to revalue their currencies, a similar wave of industries migrated from the northern countries to China and the southern countries of East Asia. This is still going on as labor scarcity is affecting Taiwan, South Korea and Hong Kong
4. Based on available data the largest source of investment in East Asia is from Japan. But we have to appreciate the fact that for ethnic Chinese in East Asia, the "borderless economy" was a reality long before multinationals talked about "globalization." (This is similar to the Jewish business groups in Europe before the Second World War.)

Collectively, the investment flows of ethnic Chinese in Asia would be as important as the Japanese.

5. China will be at "center stage" for many more years to come. Its key problem will be to find employment for the large flow of population from rural areas to

urban centers. It will also have to upgrade its educational institutions to match the neighboring countries.

6. The U.S. Military presence may be needed in Asia until there is a solution to the North/South Korea and the China/Taiwan political problems.
7. Singapore's very capable leaders have been the most articulate in expressing the ideas of Asians as they approach western countries living standards. What are the alternatives to crime and drugs? Is western emphasis for individual rights not adversely affecting the rights of the majority to have a safe city? If doctors, lawyers, engineers and accountants have to pass exams before they have the right to practice their professions, should politicians not be pre-qualified before they run for an elective office? How do you protect accumulated savings from politicians who may want to spend to gain popularity? Should a young person without responsibility have the same voice as the head of a family with children - is one person one vote fair? If we want an efficient and honest government, should pay scales of top technocrats, cabinet members and heads of state not match the private sectors? These are some of the issues we in Asia must be thinking about.

How do these trends and observations affect all of us who as teachers, students or citizens are interested in the continuous improvement in the well being of everyone in our society?

My answer is quite simple - let us devote more of our energy and resources to education. We can tell what a nation will be a generation from now by what it does - or it doesn't do - in education now. It is not by accident that the economic miracle countries were led by Taiwan and South Korea. Relative to their population, both countries have more students in tertiary education now than any country in Europe.

As a percentage of the national budget, our government education expenditure has declined from about 30% in 1963 to less than 11% in 1993. Fortunately for our country, the private sector is playing a major role in education - but no one will deny the fact that standards in government schools have greatly declined in the past 30 years.

Narrowing the economic gap is essential for the stability of our society. Good basic education in public schools enables children from poor families to catch up and compete with children from upper income groups attending private schools. But if the facilities and the quality of teaching in public schools deteriorate, the gap between rich and poor will widen - this is dangerous in any nation.

To get ourselves ready for globalization in the economic world, we must get our people to be better equipped to compete - and this can be done only by **better education**, particularly for the bottom group. Almost all government institutions are noted for red-

tape and inefficiency - maybe if more public works, energy and water systems are privatized, then such savings can go to education. Or even better, can we further privatize education and let the government pay the private sector to run the schools? This may be a study that Silliman University, with its excellent reputation, may want to undertake.

Thank you again for giving me the opportunity to be with you this morning.