



## KEYNOTE ADDRESS

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It is a privilege for me to be invited to speak at this forum. I consider it a great honour to share a few perspectives on the topic, "Strategies for Economic Development", with a highly select group of young men and women from several economies in East Asia. For both the privilege and the honour, I thank the organisers of this forum and all those who have contributed to its success.

The financial and economic crisis many of our economies in East Asia have been suffering can be a blessing, if we use it as an occasion for reflection.

Most of our economies had been in a long frenzy. They had enjoyed many years of high economic growth. They had floated from one peak of financial success to another. By many measures of economic performance, they had turned in nearly miraculous feats. No wonder, more than a few in East Asia allowed the miracle of rapid transformation they had accomplished in such a short time to enter their heads. They preached about what they have practised. They called attention to the "values" they lived by. They even started to proselytise for the "Asian model" of economic development.

In the wake of the current crisis in most of East Asia, the pendulum has swung. Cynics have been gloating about miracles being mere mirages, and about the book title, "Emerging Asia", being more appropriately re-labeled as "Submerging Asia".

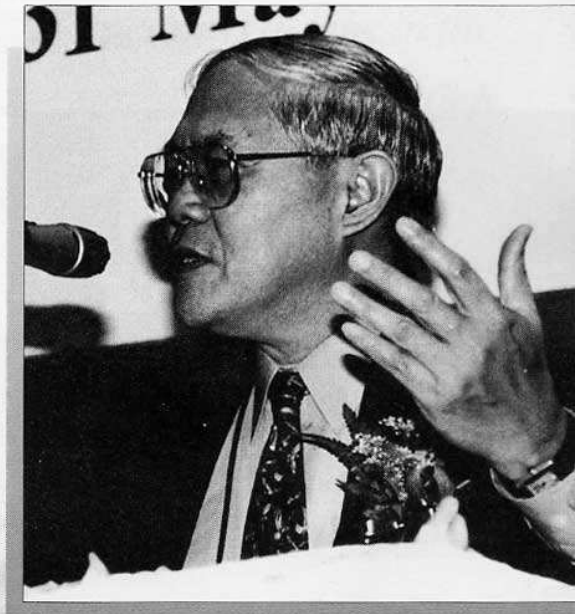
We need to take the cynicism of others in stride. We need to step back and survey our experience, with its many ups and few downs, as objectively and dispassionately as we can. For it is by learning what we have been through that we become wiser to take the work for economic development in our part of the world to a higher, stronger, and more sustainable phase.

### **The Value of Continuing Education**

An enduring lesson for us to consider and put in a new light is the importance of education for all.

The best investment any society can make is in the education of all its people. Education yields the highest returns. Its impact on welfare is both deeply personal and widely social.

As with any development programme, our horizon must be long-term, and our commitment must stem from our inmost core. And as we decisively enter the "new global age" of seamless inter-connection, we must be clear: education is not only for all, it is also for all times and throughout a lifetime.



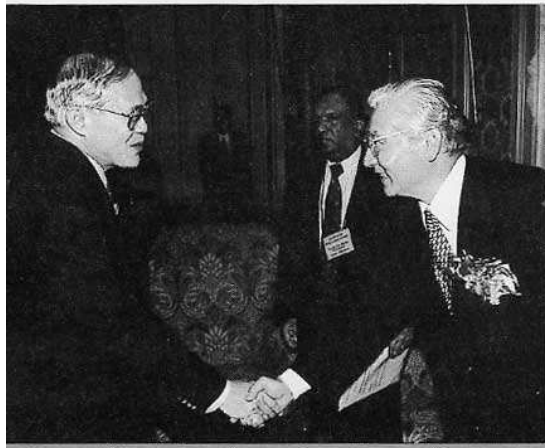
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This is because in the new development paradigm, it is no longer sufficient to have knowledge. Everyone must also have the perspective and some of the wisdom that can piece all the knowledge that one has access to, into a creative and productive combination. Everyone must have the capacity to add value, not merely from standard, uniform, repetitive processes, but more importantly from singular, differentiated, tailor-made contributions to the satisfaction of others' needs.

The new development paradigm also calls for skills that must constantly be upgraded. They have to be used with flexibility and openness to take in the latest advances, which introduce continuing modifications to our ways of doing things, and even to our ways of thinking about them. Handbooks and manuals, along with the discipline to follow them, were the rage and requirements for productivity.

In the future, they will provide a frame of reference for flexible applications to dynamically changing situations.



The new development paradigm further asks for attitudes that are more forthcoming. No longer is their focus on self, on the wide range of leisure, comfort and convenience that money can buy. No longer is the mantra limited to "having more". Rather, the refrain shall be about "becoming better". And this tune plays out only if the focus is widened to include others, particularly those we care for in the family, and those we work with in the office, as well as the many others who live with us in the different communities we belong to.

Knowledge with perspective and wisdom, skills with flexibility and openness to dynamic change, attitudes with transcendence towards genuine progress through service to others, these can be provided not only by formal educational programmes, which end with graduation. Also, a rich, varied, and constantly changing set of educational supplements, offered through several informal training channels, will address everyone's need for continuing formation.

Into the most vital factor of development, a society's human resource, must be directed our highest attention, our deepest interest, and most of our investment resources. People have always been any society's greatest asset. As an asset, it has always needed to grow and to be properly nurtured, so its productivity is brought to its highest possible level, its value-added multiplied, and its returns maximised. This will become more true as we enter a new global age and a new century. And we in East Asia must hold on to this truth, with less of the reservations and concessions that we have allowed during the decades of very rapid growth in our region.

### *The Need for Adjustments in Governance*

Most economies in East Asia grew rapidly in the past because they observed strict discipline, and public authority was firm as to the provision of order, clear as to ends, and competent as to means. There is nothing in our recent crisis to suggest that we should change in this regard. But there is everything in the phase of development we have reached to suggest that we make a few adjustments in our paradigms of governance.

If development is by people, then the essential task of governance is the provision of law and order so people are free to pursue the paths that lead to ever higher productivity. Peace must be secured. Social cohesion must be achieved. Discipline must be enforced. But as economies grow and societies develop, people must grow and develop along with them. An essential part of the process of growth and development is for people to begin taking on the responsibilities which greater freedom imposes on them. Those responsibilities are to be discharged not as though a license has been given for them to say anything or do anything, but as though an opportunity has been broadened for them to contribute as much as possible to the common good of all.

The challenge for governance is to deftly combine personal freedom and social responsibility. How to honor and respect as much rights as individuals wish to enjoy and at the same time how to instill a deep sense of responsibility to family, community, economy and society as individuals need to carry out. This is a question which all of us in East Asia must answer on our own. Whatever answer we give must be fully consistent with our culture and values. But our genius will also expand the elements we bring to that answer to include the fundamental equality of all persons, the phase of development we have reached, and the dynamic external environment we need to adjust to.

Furthermore, if development is for people, then the bottomline result, which governance must aim to deliver, should be the improved overall welfare of all the people. In the end, as a reward for the efficient and effective work they do, people must earn enough to provide for themselves and their family, with dignity, comfort and security. This is why we have been aiming for a high growth of real GDP. But economics, limited as it is, also points to a world bigger than the one encompassed by GDP. And people, being what they are, have basic needs that transcend the purely material. Material products and services alone, even with their greater abundance and variety as well as higher quality, can never satisfy people's overall welfare.

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The challenge for governance is to continue to manage economies so their real GDP rises at a reasonably fast pace. At the same time we need to open avenues by which people can satisfy their other non-material needs more fully. What these needs are should be for each society to determine and prioritise at any given time. It is certainly true that by securing high growth rates of GDP, we get into a better position to provide for all aspects of people's welfare, including the non-material. But it is also true that the economic calculus alone is inappropriate and economic tools alone are blunt for the satisfaction of non-material needs. The task of governance in the decades ahead is to expand the economic calculus and to diversify the tools so people are given the latitude for the pursuit of their other needs. If development is of people, then every opportunity should be increasingly provided for the spirit of people to move and go where it wills. Their motivation should be pitched high by the ideals they keep alive. Their initiative should be given free rein so they can carve out their own place under the sun. Their capacity for taking risks and enjoying success or suffering from failure should be tested over and over so in the process they grow in virtue and become wiser from experience. This is what cultivating entrepreneurship entails. This is what testing and proving oneself includes. This is what the familiar saying, "tis better to have loved and lost rather than not to have loved at all", means.

The challenge for governance in the decades ahead is to combine order imposed from the top with initiative stemming from below. The imperative for an effective and strong central authority will not diminish nor go away. But there will be greater need for passing down as much of the decision-making and initiative-taking to levels as close to local communities, families, and individuals as possible. Avenues for people participation in public affairs, which are their own affairs, must be increased and broadened. Possibilities for the exercise of civic-mindedness must be multiplied and expanded. For it is through participation and civic-mindedness that central authority is reinforced and made more effective through the commitment and responsibility of the citizenry.

Development "by the people", "for the people", and "of the people" have provided familiar phrases that have proven to be useful for stressing the importance of productivity, welfare, and virtue in the process of people development. In the past, we rose to the challenge of raising productivity, providing for welfare, and progressing in virtue by forms and practices of governance that were suited to our times and circumstances. But time continues to move on, and circumstances have changed. So the forms and practices of governance should evolve in view of the new challenges, which people development presents. In particular, we have to give more equal stress to duties and rights, to responsibilities and freedom, to economic needs and broader desires, to leadership and participation, to command and control as well as initiative and risk-taking. These call for adjustments in the way we govern our economies and societies.

## The Need for More Open Policy Framework

In a more inter-dependent and inter-connected world, the choice has become starker between openness to the rest of the world and autarchic withdrawal to one's own borders. Openness, with all its risks and odds, is the avenue towards progress. Autarchy eventually leads to relative decline or even to absolute stagnation.

We have been working on a policy framework in East Asia that is evolving towards greater openness and fewer barriers. We are marching towards free and open trade with ASEAN, and at a slightly longer timetable also within APEC. The ideals, being pursued under the aegis of the WTO, is for the global system to proceed towards free and open trade for all goods and services, involving all economies, within the first quarter of the next century.

The challenge we have been facing, particularly during the past two years, has been to align our financial, industrial and corporate sectors with the liberalising trends that have been firming up in trade and investment. We know that where trade goes, there finance also goes. Since we have embarked on the process of liberalisation in trade over the long-term, we should consider initiating a similar and consistent process also in finance, at least over the longer term.

But these processes are a journey of a thousand miles. It promises many twists and turns. It marks out many milestones. Its pursuit demands tenacity and perseverance, along with smartness and flexibility.

It is necessary, therefore, that we take good care of every step we make.

First and foremost, we have to build the institutions and put in place the practices that are consistent with the demands of free and open processes, taking into account the diversity of players and the unevenness of the playing field. Institutions take time to build, and practices take effort and commitment, over many years, to improve and strike deep roots. Thus, the call of the times in East Asia is for patience, prudence, sense of urgency, and selflessness on the part of institution-builders.

Second, we need to work closely with one another so as to forge a consensus over norms of conduct and standards of performance. These must be clear and well defined. They must be fair and applied squarely. They must also be set as targets, which developing economies should be given reasonable time to meet. Even if each economy should be given the flexibility to choose the actions it undertakes, within any given year, towards meeting them, there should be mutual support and assistance from the developed economies, particularly for the developing economies in our region.



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Third, we need to exchange views, swap information and perspectives, and offer discreet, friendly suggestions towards each other so that we can build a region within East Asia that is founded upon wide and deep networks between peoples and subsidiary institutions. As we open our economies and societies towards each other, we cannot lag in our efforts to open our minds and hearts towards each other. Thus, beyond the frequent and formal interaction through official channels, there should also be many more points of contact where our peoples and institutions can work towards greater understanding and deeper appreciation for each other.

All these require new mental and attitudinal paradigms. Openness requires more selflessness and greater spirit of service towards others. It means bringing down barriers, including the prejudices and other historical baggage we may have inherited from times long past. It calls for looking into the far future and into concrete and specific opportunities we can seize to build for that future together with others. It asks us to forgive and forget whatever hurts we may have received from them, and to focus on building goodwill and winning friendship from all, but most especially from our immediate neighbours.

These paradigms are foundations for a new spirit that must pervade our efforts to deal with, and take advantage of the open inner-relations in a more inter-connected global economy. These efforts must influence the free and open framework for trade and investments, for financial and monetary policy, for industrial and corporate strengthening and development.

But into this framework must be added the traditional ingredients that should be in any strategy for economic development. Some of these ingredients are common to all: “high saving, low taxes, openness to trade, good education, the rule of law, and sound monetary and fiscal policies”. Others may be particular to any given economy, depending on its structure and peculiar conditions at any given time. However common and specific the challenge is for any economy, it is generally tall and always difficult to meet.

But in the new global age and in the new century, no society and no economy should ever be left alone to fend for itself, should it choose to take the risks and possible benefits of openness. It will also find that many of the basic ingredients for an economic development strategy are common to all, so they provide a further common ground for good neighbourliness and regional cooperation.