

Keynote Address
by Mr. Anand Panyarachun
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“Competitiveness of Asian Emerging Economies”
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Mr. Chairman,
Distinguished Guests and Colleagues,
Ladies and Gentlemen,

It gives me great pleasure to be here in another activity representing the development of cooperation among ASEAN member countries, namely the Fourth AFCRA Conference.

For many years I have witnessed the increasing sense of ASEAN spirit and partnership which translates cooperation of organizations and professionals across the region into important and visible institutions in their own right. Such a leading institution has been the ASEAN Forum of Credit Rating Agencies or AFCRA.

AFCRA has been a successful model of ASEAN values of consensus and cooperation in action. As you know, rating agencies provide a crucial role in today's global financial markets. They inform investors of the risk of their investment and this creates a better climate for future investment.

They also send signals to governments, such as Thailand, to improve their financial and economic directions as well as to companies to maintain prudent debt management.

AFCRA should be congratulated on its past development and is to be encouraged to continue its successful collaboration.

Let me begin my discussion of competitiveness with a personal observation.

I have often found discussions of competitiveness very much like the proverbial ten blind men describing an elephant from one of its parts. No one has a full picture of it. Therefore, I am very pleased that AFCRA has taken the challenge of trying to understand competitiveness in all its facets.

When we look at the top 25 companies in ASEAN, three observations come to mind. First you will see international companies: SONY (3), CALTEX (4), SEAGATE (5), MATSUSHITA (9) and HEWLETT PACKARD (11).

These companies represent consumer electronics, computer-related and energy. They are all based in Singapore.

Secondly, you will see a variety of public enterprises: Pertamina (1), Petroleum National (2), Petroleum Authority (7), Singapore Airlines (8) and Electric Generating Authority of Thailand (12)

These are all State-owned companies in the energy sector, with the exception of Singapore Airlines, which has been privatized.

A final group of companies representing major local businesses are Astra International of Indonesia (6), Sime Darby of Malaysia (10), Siam Cement of Thailand (15), San - Migual of the Philippines (18) and Hong Leong Investment of Singapore (21).

These are businesses, which have achieved a strong level of performance and a recognized level of business leadership in ASEAN.

Two key questions are reached:

First, does it appear that countries are not competitive while companies are?

Second, why are international companies so often based in Singapore - is it because Singapore is the number one in competitiveness or is Singapore number one because so many leading companies, because of their own competitiveness, choose Singapore for strategic reasons?

My own assessment is that it is the competitiveness of companies that is the key factor. Countries that provide excellent supporting conditions attract the companies and this in turn stimulates the economy.

Let me support this assertion by looking at the factors or criteria used to indicate competitiveness:

1. Economic strength
2. Internationalization
3. Government regulations and policies
4. Financial market
5. Science and technology
6. Management
7. Infrastructure
8. Human resources

It is interesting that with the exception of management, the remaining factors are all public policies related.

The key point is that a climate supportive of competitiveness requires effective

public policy to guide the economy and international trade, science and technology, infrastructure development and human resource development. Thus, what is perceived, as “a country’s competitiveness” is more likely a measure of how good its public policy is?

Let me consider the definitions the World Economic Forum used of management:

“Management measures the effort of business leaders and business organizations to respond to market opportunities. The countries with a well managed capacity will display a higher rate of economic growth.”

To simplify this:

Management capacity and business capability - sustained economic growth.

It is the role of business to develop the economy, and the role of government to provide the supporting environment for this development. It is not the other way round.

Let us consider the ASEAN rankings for competitiveness:

Singapore (1), Malaysia (10), Thailand (14), Indonesia (30) and the Philippines (31).

What this indicates to me is an assessment of how good public policy is in the various member countries.

Please allow me to draw your attention on the role of human resources and competitiveness.

One major failure in supporting competitiveness in the ASEAN region has been the insufficient attention to human resource development.

For example, in basic skills the rankings are not very promising: Singapore (29), Malaysia (31), the Philippines (33), Thailand (39) and Indonesia (45)

On the contrary, in this same ranking the U.S. is #1 and Japan is #10. This strongly indicates to me the lack of attention ASEAN members have for human resource development.

It seems to be that it is not the cost of labour, which relates to competitiveness but the skill and quality that labour can provide.

This conclusion can also be illustrated by another factor, i.e. the comparison between productivity and wage increases over time, between 1983 and 1993.

	<u>Productivity</u>	<u>Wage Increases</u>
Singapore	\$ 4.8	\$ 11.3

Malaysia	\$ 4.8	\$ 5.3
Thailand	\$ 5.7	\$ 8.8

For these three examples, wages have grown faster than productivity. This means that labour is becoming more expensive. It also means that management has been slow to develop ways to enhance the performance of business. There is a business failure of competitiveness to improve the productivity of employees and the profitability of companies.

The last issue that I would like to share my opinion with you is the new direction of human resources development for competitiveness.

It is always true that companies will strive for competitiveness despite what government does or does not do. This often leads to companies re-locating where public policy is more supportive.

At this point I would like to make a modest proposal - that governments in ASEAN, but particularly in Thailand, can demonstrate a public policy supportive of competitiveness by giving a strong priority to quality human resource development.

Policy initiatives to do this could include:

1. Raise attendance at primary and secondary schools.
2. Improve the quality of educational programmes and institutions at all levels
3. Establish more comprehensive vocational training programmes.
4. Emphasize more science technology and engineering programmes.
5. Enhance education and development programmes for managers to become more globally aware and professionally capable.

Skilled people are the key resource for competitiveness and education creates the foundation for this advantage.

Well-planned educational policy accelerates human capital development, which is essential to factors supporting competitiveness that I had mentioned earlier, namely, science and technology, internationalization, financial development and economic strength.

Developed and capable human resources provide better quality, greater innovation and higher productivity. They save more, invest more and pay taxes

In other words, human resources development brings the highest return on investment.

On this note, you have my best wishes for the success of this conference!