

Asian Economic and Business Outlook for the New Millennium*

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I must confess to feeling somewhat intimidated at the prospect of speaking to so many deans and PhDs. When I saw Dr. Chirayu's invitation (for me) to talk about the economic and business outlook for the new millennium, I felt even worse. With the volatility in today's economies and markets, it is hard enough to predict what will happen next week, much less in the next millennium. You have set me a very tough examination. I hope I don't flunk. The only saving grace I can see in making predictions for a thousand years is that despite the best efforts of my doctors, I am not likely to be around long enough to see how wrong I was. So, let me tell you not what the future *will* be, but what I realistically *hope* it will be.

As we look forward to the new millennium, the first obvious thing to note is that it is starting off with a huge increase in the amount of information available and with fantastic new technologies to deliver it all over the world in seconds. This is very exciting and it is, potentially, of great benefit, but we must not forget that people, not information or technology, remain the key to the future. People will decide how to use the technology. People must learn to receive, organize, understand and act on all that information.

I heard a joke about this the other day. It seems there was a senior citizen—meaning someone much older than I am—driving for the first time on the new expressway north Bangkok when he got a call from his daughter on his mobile phone. "Father please be careful. I just heard on Jor Sor 100 (that's the traffic radio station) that some idiot is driving the wrong way on the expressway."

"It's even worse than that," the senior citizen replied. "It's not just one car; it's hundreds of them—all going the wrong way and blowing their horns at me."

The situation in Asia in 1996 and 97 demonstrates this lag in understanding warning information. We should have seen lagging stock markets, sagging property prices, declining export figures, current account deficits and pressure on our currency as warnings we were going the wrong way. I am afraid we were so sure we were going the right way and so proud of our high-speed economy that we were not ready to listen to warnings. In this analogy, I suppose, that mobile phone call would have come from George Soros.

Now we are left to clear up the wreckage from the financial crisis, make sure we get headed in the right direction, retrain the drivers, slow down a bit and set up systems to ensure that the information we need to correct course gets to us more quickly and effectively.

This work is largely the responsibility of the people in Asia and, of course, you, as the leaders of Asian institutions of management, have a major role to play. There are many local institutions, rules, attitudes and management practices that need to be changed.

I'll get back to our responsibilities in a minute, but first I want to note that world leaders and global institutions *also* have a responsibility to adjust. Part of the problem we faced in Asia was with an international financial system that did not develop in sync with systems of regulation to moderate volatility. The new millennium will bring changes in the international financial system, including the major institutions, the IMF and the World Bank, that are part of that system. These institutions need to get better information. They need to interpret it more accurately and act on it more quickly. And most importantly, they need to

involve local people so they better understand local situations, rather than applying the solutions that worked in other places, in other circumstances.

So, I think and hope that the first years of the new millennium will begin with these changes needed to prevent even more serious crashes further down the road.

Existing multilateral institutions, for instance, need to be more open and more responsive. At a time when the pace of change is frightening many people, the IMF, ADB and WTO seem like isolated bureaucracies unresponsive to human concerns. That is why we see protests and demonstrations, however irrational some of them may be. I believe we will see these multi-lateral institutions become more open, more accessible and more responsive in the years to come, even though they will not change their main objectives. Other institutions should simply be discarded. The G-8, for instance, is now outdated, ineffective and perceived to be elitist. More nations and more institutions need to be included in global strategizing. A members-only club of a few developed countries, however wealthy, cannot provide effective global leadership in the new millennium.

Tinkering with international systems and developing new information hardware, however, will not be sufficient. In the recent past, we may have been diverted by great technical achievements from the importance of the human side of development. We in Asia need to find ways to help our people change and develop so that those directing the new technology will remain focused on the needs of people. That is a great responsibility that you have as educators. I am afraid we will never be able to eliminate human greed, but, as educators of business and management, we can find ways to steer the power of greed in directions that help rather than harm people.

In environmental management, for instance, there is a simple and powerful principle, that "polluters pay" for the real costs of the damage they inflict on society and the natural ecology. We introduced this principle in Thailand nearly a decade ago, but it is still not being implemented. The main reason for this slowness is a shortage of the political courage to explain to the people that they too are polluters and will have to pay. I believe that people are willing to pay, but only if those in authority involve communities and businesses in the decision-making. Our leaders need to engage the people in two-way communication on the benefits as well as the costs of pollution prevention and reduction. Sometimes, our leaders underestimate the good sense of our people and fear they will be punished at the polls if they propose any sacrifice, even if it is everyone's best interest.

Once the "polluters pay" concept and its application are accepted, business managers focused on the bottom line will rush to find the management tools needed to prevent pollution, to reduce waste, and to account for full environmental costs. Management schools must be ready to provide the managers of the future with the skill sets needed.

This is just one example. I believe there are other ways that markets in the new millennium will be restructured to serve human needs rather than changing people to serve imperfect markets. Business schools and business school professors have an absolutely crucial role to play in this process. We need to undertake research that helps us understand the complex and rapid changes underway in the global economy that have brought different societies, different institutions and different world views into much closer contact. Business schools have the duty to train a new generation of business leaders who see the necessity of ethical, effective, environmentally conscious business that ultimately serves the greater, long-term ends of human society.

These tasks do not belong exclusively to business schools, of course. Systemic change is part of the task, and that is the joint responsibility of government, business, academia, civil society, labor and mass media. Let me quote Joseph Stiglitz, the recently retired chief economist of the World Bank.

"Development entails not only creating market institutions, but also political institutions, and the two are intimately intertwined."

In the millennium ahead, I predict, or at least I hope, there will be major changes in political institutions and in the connections between business and government. I am proud to say that Thailand has been a leader in beginning such change, but perhaps that is because we were the leaders in suffering the penalties of having outdated and inadequate institutions.

We have experienced the costs of corruption, inadequate government regulation and poor corporate governance. Our new constitution is an important starting point, but just a starting point, and a strong signal of the desire for change. The constitution, which came out of a broadly consultative process, includes strong provisions for honesty in government and elections. I am pleased to see that some initial steps have been taken to enforce those provisions. But a lot more work still needs to be done because the constitution is but words on paper. To work, it requires institutions with the ability to enforce its counter corruption provisions and people willing to act, both inside and outside government, to make sure that those institutions perform.

Unfortunately, passive obedience to the new rules is not enough. We need people willing to work together to ensure that the rules are followed and that those breaking the rules are exposed. There have to be some whistle blowers and some troublemakers for the benefit of society. Recently, we had the example of one Thai mother, concerned about unfair school entrance examinations, starting a process that has led to major improvements in access and fairness all over the country. The defence of human rights requires the same willingness to speak up. Some people fear that globalization will result in impersonal multi-national corporations, above government control, abusing human rights for their corporate gains. That is a possible danger, but I envisage a different outcome in the new millennium: new technologies, global markets, international standards, and faster flows of information that give concerned people the weapons to ensure that corporations and governments protect the rights of their workers and their local communities. Much more needs to be done, but we see a clear direction: global markets and global brands are leading to global standards of conduct.

That means change, not only for the big brand names, but also for their thousands of suppliers all over the world. The new logistics technologies and "Just in Time (JIT)" management techniques mean that buyer and supplier must be tied closely together by constant information flows. This extends from inventory, designs and shipments to health and environmental standards. It forces knowledge down through the organization and out to the suppliers. This will mean that employees at all levels in the supply chain must handle sensitive information. That, in turn, will mean that corporations and their suppliers must develop co-operative, rather than confrontational relationships with their workers. It is already clear that JIT does not work in a confrontational system and this trend will only continue to expand in the future.

I believe the same is true of the hot new e-commerce technologies. In some ways, these technologies do the same thing as a client and a customer sitting down together to talk. There is an exchange about needs, products, costs, capabilities, and delivery information. Then, there is an agreement on a sale and a payment.

E-commerce does the same things, but on such a scale and with such ease, speed and geographical reach that it is rapidly changing important aspects of business. This technology has provided such exciting new opportunities that there has been talk, particularly with respect to stock markets, of a distinction between an "old economy" of physical goods that grows slowly and a "new economy" of digital services that grows so quickly that price/earnings ratios are irrelevant. I do not believe that this distinction will last very long. Within a few years, the new technologies will be incorporated in some way into almost every business, so the real distinction will be between those companies that use electronic capabilities well and those that don't.

What we need to do in Asia is to ensure we climb the e-commerce learning curve quickly enough so that our businesses are not left behind and destroyed by global competitors who learn how to use e-commerce ahead of us.

Fears that globalization will destroy not only local companies, but local communities, environments and customs, have recently been the cause of much protest and controversy. It has been argued that globalized, multi-national corporations are out of control because they are too powerful and too geographically spread for individual governments to handle. It is said that unelected corporate managers who affect what happens to people around the world are accountable to no one.

I believe that is not actually the case now and I believe it will be even less so in the years ahead. Managers are increasingly accountable to shareholders, employees and customers. Information flows and human concerns are at the heart of this accountability. New mechanisms are coming to ensure that all shareholders get the information and analysis that is available to corporate insiders and institutional shareholders. Networks of NGOs and the power of the Internet ensure that corporate misconduct in even remote parts of the world is soon known to the corporation's customers around the globe. Enforceable

standards will make it much more difficult to lock the fire doors of a toy factory as was the case in Bangkok several years ago, to improperly store hazardous waste or to use child labor.

It has been said that business managers are like sub-atomic particles. Observation changes their behavior. In the new millennium, I see increased observation of management, whether in government or the private sector, leading to improved standards, greater acceptance of standards and more effectively enforced standards. This will lead to better lives for workers, better returns for shareholders and better protection of local communities. Your students will be managing in a fishbowl much of the time and you have to teach them how to do it.

Observation will not only come from outside the company. The new millennium will not work in a top-down fashion. Business will have to involve employees and, indeed, all stakeholders through much freer and fuller flows of information in good governance processes. Recent research has shown that greater worker participation and better information flows within a company lead to higher motivation of employees, better management decision-making and increased productivity.

These flows of information in the new millennium will not be limited to workers' issues. As population growth and industrialization increase the pressure on the natural environment, corporate treatment of the environment will become an ever more important issue for management. Research at the Kenan-Flagler Business School has shown that the companies that take the best care of the environment are also the most profitable. Why should this be so?

First of all, pollution consists of materials that the corporation paid for that it is now dumping into the environment without anyone to pay for it. Better design, better production processes and better accounting for costs can reduce wastage and make the company more profitable.

Second, production of waste entails disposal costs or penalties. Avoidance of these costs not only reduces expenses and legal fees but also reduces a serious demand on management time and attention.

Third, environmental management systems cannot work effectively top-down. They must involve workers at every level. Workers tend to value working for a company that places a high value on the environment. Involvement in environmental management motivates employees.

Fourth, the damage to corporate reputation among customers may be greater than any penalties paid to regulators because it is damage that can persist for a long time. Even decades after the Exxon Valdez, the corporate name is damaged by the memories of the Alaskan oil spill.

In the new millennium, corporations will be known to workers, regulators, and communities by their actions to protect the environment. Business schools need to give managers the skills and attitudes to manage more open systems that protect both the environment and their workers.

Openness to stakeholders—workers, shareholders and communities—will also provide corporations with mechanisms to avoid undue risk, cut costs and attract financing.

Much has been said about corporate governance and some progress has been made, at least in the rules, with requirements for greater disclosure, audit committees, and better accounting practices. But it is still up to people to take actions. Workers can passively follow management orders or they can speak up. Had workers understood how the risks being piled up in Asian banks and corporations would lead to their own loss of jobs, they would have spoken out and those risks might have been better managed. In the new millennium, I believe there will be systems that provide timely risk information to employees.

Company executives, must learn ethical behavior and new ways of management. Particularly here in Asia, there needs to be a change in the old pattern of patriarchal, top-down management. I am afraid this will be difficult for many of the dinosaurs of Asian business to accept, but there will be little choice. To satisfy international markets, international suppliers of capital, local communities and local government, the managers of the new millennium will have to be more professional, more democratic and less secretive. This is not just a nice thing to do; it is essential for survival in the global economy of the new millennium. Ethical behavior will be a source of competitive advantage for nations as well as corporations.

The Thai government learned to its dismay that simply keeping its own state debt under control is not enough if the private sector undertakes high debt and high risk. The suffering that accompanied the economic crisis spread well beyond the managers, regulators and entrepreneurs who made the mistakes. Employees were laid off, salaries were cut and benefits reduced. We learned that we had few safety nets for the victims of the downturn. However, we also learned that no safety net can replace a strong economy.

Unfortunately, market signals are not perfect, and attention to markets alone will not achieve the kind of transparency, good governance and ethical conduct that I envision for the new millennium. We have learned to our cost in Asia that markets require strong and effective regulation. Who is to regulate the new global economy? Some have suggested that this need requires a super world government that will be more powerful than the corporations and able to deal with rogue governments. I do not see this happening. We are still hoping that the United States will pay its financial obligations to the United Nations. We are still trying to get a long list of countries to respond to the UN's human rights committee. We are still trying to free the World Bank, the IMF and the WTO from undue political interference by national governments. So a world government is unlikely and, I think, unneeded.

What I see developing is not global government, but global governance. Not a super bureaucracy, but a set of internationally accepted rules of conduct that protect global interests. This global governance will be provided not only through governments and multilateral organizations, but also through activist NGOs, educated consumers, civil society organizations, labor unions and corporations working together for mutual self-interest. It will require the willingness on the part of some to give up special privileges, to protect the interests of future generations, and to forego immediate advantages for long-term, sustainable growth. In short, it will require ethics and a sense of justice.

This sense of ethical behavior needs to be instilled as early as possible—through the family and through the education system. Since you are educators, let me expand on the role of academia and education in the new millennium. First of all, we need to teach our young people to understand how their actions can affect people all over the world, whether it is making a decision that pollutes the atmosphere, or takes on a risky loan. There has to be an emphasis on the social, ethical and environmental bonds that connect us all. New communications technology will help communities form around mutual interests rather than geography. Translation software will reduce language barriers.

Secondly, it is more important than ever before to teach our students how to think and how to learn. Knowledge is changing so quickly that in many disciplines about half of the knowledge base for an advanced degree becomes obsolete every five years. So we need to teach our students how to learn because they will not conclude their learning with the acquisition of a graduate degree; they just begin another phase of it—continuous, self-directed, lifelong learning.

Learning how to learn is not simple. It requires the tools of research, including the new Internet tools, but more importantly, it requires the ability to think logically and independently.

Asia has immense talent, but we must nurture it with quality education that is not directed only at a test or a degree but at real learning and ethical action. If we can do that, this region will have an immense comparative advantage for the future. It is sometimes noted that 60 percent of the world's population is Asian and the percentage is growing; therefore, Asia will dominate the world economy of the 21st century. While the power of demographics is considerable, it is not numbers alone that will provide leadership. It is the education of those people to think creatively and act responsibly that will make the numbers important. We certainly have the bright young minds to be successful; it is up to us, the not yet senior citizens, to make sure the education we give them is good enough.

Fortunately, Internet technologies provide not only the challenge of improving learning, but also give us new ways of doing it. We will not be far into the new millennium when a large portion of education will be computer-aided and Internet-based. Learning will be less confined to the traditional years and more spread throughout a lifetime. Education, like information and entertainment, will be digitized and delivered electronically almost anywhere the consumer wants it. This is not to say that all education will be electronic; we still have live theatre and concerts despite television and hi-fi equipment. We will and must continue to have live interaction between student and teacher. Undoubtedly, however, education will be increasingly electronic, interactive and customized. The greatest change is likely to come in those parts of universities that offer advanced professional education. Universities will cease to be places of learning and increasingly

become the *guarantors* of the quality of education that can be delivered any where and any time.

The past few years have been full of change. The pace has been dizzying. Sometimes we just wish that things would slow down long enough for us to catch our breath. That will not happen. More than 2,500 years ago, the Lord Buddha taught that the only thing that does not change is the existence of change itself. So I feel safe in predicting that Asia will see even faster and more incredible changes in the years ahead. It is your responsibility as scholars and educators to ensure that our students are equipped with the intellectual skills and moral strength so that this inexorable change is for the betterment of all.

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