

Welcome Remarks by Dr Khor Hoe Ee, President of the ESS
The ESS Annual Dinner and MAS-ESS Essay Competition Awards Ceremony
8 April 2003

A warm welcome to the Annual Dinner of the Economic Society of Singapore (ESS). I am so glad to see so many of you. We want to thank you for taking the time off your busy schedules to attend tonight's dinner and giving us your support. We are very pleased that our Deputy Prime Minister, Mr Lee Hsien Loong and Mrs Lee can be with us. We are very heartened to see the good turnout tonight, particularly in light of concerns over SARS.

For those who are not familiar with the ESS, the Society has a long history. It was established in 1956 as a non-profit organization of professional economists and economics graduates. Its primary objective is to raise public awareness, and stimulate public interest and debate in economic issues. Some of our key activities, like the annual seminar on "Understanding the Singapore Economy", have a strong educational element, and are aimed at promoting a better understanding and appreciation of current economic issues.

In the year ahead, the Society is planning to organize a number of seminars and lectures on various topics of interests, including round-table discussions on topical economic issues of the day. The funds raised tonight will in part go towards supporting these activities.

One of our major activities, which we jointly organise with MAS, is the Essay Competition. Tonight, we will be presenting prizes to the winners of the second MAS-ESS Essay Competition that was held last year. The theme of the essay competition was "The Role of the State in an Increasingly Borderless World". It attracted a total of 73 essay submissions (47 in the Open Category and 26 in the Student Category). Not only was the number of essays significantly higher than in the inaugural year, but the quality of the essays submitted was also much better than before. We are honoured that our guest-of-honour DPM Lee Hsien Loong has graciously agreed to give out the prizes during the Awards Ceremony later this evening.

Let me now say a few words about the essays themselves.

As I mentioned earlier, the theme of the essay competition was "The Role of the State in an Increasingly Borderless World". Far from heralding the demise of the state in the face of increased globalisation, all three prize-winning essays from the Open category emphasise the continued relevance of the state and argue that its role has become even more important in certain areas.

The first prize-winning essay, by Dr Shin Jang-Sup, introduces the concept of mobile versus non-mobile factors of production, and uses this framework to argue that the role of the state has become more critical, even as an economy becomes more open to globalisation.

The essay debunks a widely held view that market forces would replace or make unnecessary much of the role previously undertaken by the state, noting that there are certain important functions that only the state can undertake. As the pace of globalisation accelerates, the role of the state in helping to develop and enhance the country's competitive advantage becomes even more critical.

Going forward, the author notes that Singapore needs to now pursue a two-pronged growth strategy, in which it should increasingly emphasise the creation and acquisition of higher-end capabilities rooted in its territory (such as R&D) in conjunction with its traditional role of attracting FDI. Here, the state would be the principal agent responsible for re-gearing the strategic focus and developing the necessary capabilities and institutions. Indeed, as the ultimate system manager of the national economy, the state should maintain its leadership in transforming the economy for the next phase of development.

Indeed, the current global crisis over the SARS outbreak has reinforced the authors' argument about the critical role of the state in a borderless world. Globalisation has brought immense benefits to many countries but it has also exposed countries to intense competition from abroad and the risk of cross border contagion. We saw this vividly during the Asian financial crisis when investors panicked across the region and brought about the collapse of regional currencies and asset markets. In the SARS crisis, we are witnessing a different kind of contagion – the spread of a deadly disease across countries through international travel. The decisive response and cooperation of governments of the affected countries will be critical in bringing the outbreak under control. Once again, we are reminded of the critical role of the state in managing cross border risks in the era of globalisation.

Many of the themes covered in this and other essays, have been the subject of intense public debate and scrutiny recently, particularly in light of the government's efforts to fundamentally review Singapore's development strategy, through the establishment of the Economic Restructuring Committee or the ERC for short. Some of you here tonight may have even participated in the various sub-committees in one form or another.

Tonight, we are therefore privileged to have with us the Chairman of the ERC, our Deputy Prime Minister Mr Lee Hsien Loong to give the keynote address for the evening. DPM Lee has been very much involved in the economic reform and restructuring of the Singapore economy over the years. As you know, he was also Chair of the 1985 Economic Committee which was convened to review the progress of the Singapore economy and to identify new directions for its future growth (The Singapore Economy: New Directions). We are therefore very honoured to have him here today with us. DPM will address us on the topic: "Remaking the Singapore Economy" shortly. May I wish you a pleasant evening.