

**SPEECH BY MR LIM BOON HENG, MINISTER IN THE PRIME MINISTER'S OFFICE,  
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Introduction

1. Ladies and Gentlemen: I am pleased to have the opportunity to speak at this august occasion. Let me extend a warm welcome to all overseas guests.

2. This is the first time the ICA General Assembly is held in Singapore and the third time in Asia since ICA's formation 110 years ago. This is timely, given the growth of the cooperative movement in Asia and Singapore.

3. We live in an increasingly interconnected world. The excesses of capitalism are magnified by the openness of markets and the rapid flow of finance, technology, information and labour. In this globalised world, most societies cannot insulate themselves from the global market, nor would they wish to. But while globalisation has helped create wealth, it has also brought about sharp inequalities within countries, and between countries. In a free market and capitalist-driven world, such social imbalances will be exacerbated if enterprises do not perform the social and ethical duty to counter such imbalances.

What is the purpose of business?

4. So, what is the purpose of business?

5. There are views today that businesses exist to make profits for their shareholders. Indeed, Nobel prize winner, economist Milton Friedman, argued in his famous article, "*The Social Responsibility of Business is to Increase Profits*", that the moral imperative of businesses is to make as much money as possible for their shareholders; and to pursue social or environmental goals at the expense of profitability is immoral.

6. There is no doubt that businesses are the primary sources of wealth creation, innovation and employment. But we should not mistake the means for the ends. Businesses do and should generate profits. Profits are the oil of the economy. Without profits, there will be no businesses. Without businesses, there will be no commerce. Without commerce, there will be no wages. Without wages, there is only indentured labour, and not labour that is mobile and free. Thus, businesses serve the society by making profits.

7. But profit maximising cannot be the be-all and end-all for businesses. Indeed, there is a growing distrust in business and those who lead it. With scandals in institutions like Enron, people question whether executives are truly running businesses for the benefit of consumers and shareholders or for personal gains. Even CEOs admit being grossly overpaid. More significantly, there is an awakening call for businesses to look beyond profits as their *raison d'etre*. Rather, there is an increasing return to the framework of "ethical capitalism". Whom and what is a business for? A company's assets are increasingly found in its people, not in its capital, buildings and machinery. As such, shareholders are not the only stakeholders. Businesses exist to contribute to

the communities. The purpose of business cannot be merely to make a profit but to make a profit to do something more or better for the community at large. This is not a new concept.

8. In classical Greece, businesses were expected to be of service to the community. In the medieval period, a good businessman was both honest in intention and socially responsible in action.

9. I would like to quote the founder of Matsushita, Mr Konosuke Matsushita, who made clear that profits are merely the means to an end. He said *“Some people think that the purpose of proper enterprise is to make a profit. Indeed, profit is indispensable for conducting proper enterprise activities. However, profit in itself is not the ultimate goal of an enterprise. More basic is the effort to improve human life through enterprise management. Profit becomes important and necessary only to better pursue this basic mission.”* This comes from an entrepreneur.

10. In other words, to mistake profit-making as the objective is to condemn businesses to being immoral and self-interested. Businesses need to look beyond making profits, and recognise that ultimately the true nature of all economic activity should be and is, for the people and for the community.

11. An ethical and socially responsible business can and should contribute to the community. This is not to deny businesses the right to make profits. There is no inherent conflict between being profitable and doing social good. If our co-operatives are not profitable, they cannot do the social good they aim to do. What I wish to emphasize is

the need to recognise social good as the purpose of businesses, which should not be mere profit maximisation for shareholders.

12. Businesses are the active agent of progress through creating new products, enhancing quality of service and raising productivity. But it is improvement to human lives that brings real and meaningful progress. Contribution to society is the root of progress and change. It is not the prerogative of charitable and non-profit organisations to contribute to social good. In fact, as active agents of progress, businesses are in a good position to do even greater social good.

13. Moreover, being ethical does not preclude a business from being financially successful.

14. In fact, there are numerous examples of profitable ethical capitalism at work. HP, Shell, Tata and Canon for instance are at the same time socially and environmentally responsible.

15. Canon, in particular, subscribes to the business credo called the path of kyosei, which is defined as a “spirit of cooperation” in which individuals and organisations work together for the common good. What is most pertinent is the idea of cooperation as the core philosophy that has helped Canon succeed in a highly competitive world without neglecting its social responsibility to the community, both locally and globally.

16. As Mr Ryuzaburo Kaku, the honorary chairman of the board at Canon in Tokyo, Japan said: *“If corporations run their businesses with the sole aim of gaining more market share or earning more profits, they may well lead the world into economic, environmental, and social ruin. But if they work together in a spirit of kyosei, they can bring food to the poor, peace to war-torn areas, and renewal to the natural world. It is our obligation as business leaders to join together to build a foundation for world peace and prosperity.”*

#### Beyond Profits: Cooperatives as the way forward

17. This leads to the idea of cooperation as a key philosophy for businesses. If businesses focused on bringing social good to society, their social influence will be magnified in our globalised world. With the right spirit of cooperation, businesses can have immeasurable positive impact on the society and the world community.

18. This philosophy is enshrined in the cooperatives. Cooperatives are organised around the idea of self reliance and mutual help to serve members’ needs. Cooperatives are for the people and by the people. As such, the idea of cooperation is integral to the cooperative movement. What businesses today are realising, is what cooperatives have been doing in the last 100 over years.

19. Some of the best known businesses in the world are part of the cooperative movement, founded on the notion of cooperation. Some examples would be Rabobank (which is one of the world’s 25 largest banks), Mondragon Corporacion Cooperativa

(which is the largest corporation in Spain's Basque region), Dairy Farmers of America, etc, to name a few.

20. But financial success of these cooperatives must not be seen as their main value. Their real value comes from the abilities to keep the "social contract" of communities alive. Cooperatives are committed to social ends. They are set up to ensure the continued viability of jobs and to improve quality of life without sacrificing competitiveness.

#### NTUC Co-operatives

21. Let me cite the Singapore experience. Since the early 1970s, the trade union federation, National Trades Union Congress (NTUC), has operated a number of co-operatives. These co-operatives play a social role in Singapore.

22. NTUC cooperatives are set up in sectors where there is a social gap. The NTUC cooperatives aim to fill the social gap and make meaningful impact to improve the lives of working people.

23. One way is through ensuring that workers get the best value for their hard earned money and getting real increase in purchasing power. For example, NTUC FairPrice supermarket's social contribution includes maintaining a basket of 400 essential items at low prices and stepping in to moderate prices and supplies during unforeseen or difficult situations. When SARS struck, the supply of vegetables was disrupted by the closure of the wholesale market. NTUC FairPrice brought in alternative

supplies, and kept prices largely unchanged. When bird flu hit the traditional sources of egg supply, causing a shortage, NTUC FairPrice moved to bring in eggs from other sources to stabilize prices. Had NTUC FairPrice been set up to maximize shareholder returns, these would have been opportunities to make exceptional profits for shareholders, at the expense of the community.

24. NTUC Healthcare was set up to help moderate the cost of healthcare in Singapore by providing quality healthcare products and services at affordable prices. From maintaining a basket of 100 commonly purchased items at the lowest overall pricing, to providing affordable, quality Denticare and Medicare, NTUC Healthcare has done its part to bring the cost of healthcare down.

25. NTUC cooperatives also contribute to society by providing a service for society when commercial businesses deem them as not profitable. NTUC Childcare was founded to provide affordable childcare services to working mothers at a time when it was commonly believed that such services were not financially viable. NTUC Childcare started offering its services then because there was a demand for quality and affordable childcare services so that women could go back to work. Today, pre-school and childcare is a thriving market with many players. NTUC Childcare continues to help working parents by providing quality childcare services at affordable prices, and has branched into training and research to improve the level of early childhood education in Singapore.

26. NTUC Income was the first of the cooperatives founded by NTUC back in 1970. NTUC Income started off providing insurance for rank and file workers when no insurance companies wanted to insure them. It is always easier to persuade high net worth individuals to buy insurance than rank and file workers. Until this day, NTUC Income continues to provide one of the lowest premium products in the market.

27. In the same way, NTUC Eldercare was started to provide good, affordable day-care services for the elderly. It is still early days and demand is low. However, we must start preparing for the future. NTUC Eldercare foresees the need for such services as the Singapore population ages and has thus started to build up its expertise and capacity in order that it can better cater to the needs of society in the future so that the elderly can lead dignified lives.

28. In addition, NTUC cooperatives also contribute financially to society through providing donations and offering social programmes, such as giving out study grants and food and transport vouchers to the lower income. These are part of the labour movement's efforts in strengthening the safety net for workers.

29. The NTUC cooperatives, like many cooperatives in the international cooperative movement, have done their work quietly and in keeping with the spirit of their social missions.

30. In the era of the globalised free-market, the cooperative movement acts as the counter-weight to for-profit enterprises to ensure that the larger needs of society are served.

31. Indeed, I cannot imagine a type of enterprise or even social organisation that is better suited to reflect profit making as the means to generate social good than the cooperative model.

32. I would like to emphasise that the reason why NTUC cooperatives in Singapore are influential is because they have developed to a substantial size. NTUC FairPrice is a leader of the supermarket chains. NTUC Income is among the top insurers. So if we want the international cooperative movement to exert influence as a counterweight to for-profit enterprises, it must develop to a certain size in the market. This is an objective to strive for.

33. Moving forward, I strongly urge each and everyone of us, as part of the cooperative movement to remember our values, and be committed to live our values in everything we do and in the way we approach the conduct of our businesses. I urge you to share examples of success stories from your countries and help each other develop our cooperatives. We should not lose sight of who we are and why we are in the business. It is not for profits that we exist, but to improve people's lives and contribute to society as a whole, to truly exert an influence and make this world a better place.

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