

20 OCT 1997

PRESS RELEASE

Release No.: 56/SEP

16-0/97/09/25

97-LHL-10

**SPEECH BY BG (NS) LEE HSIEN LOONG,
DEPUTY PRIME MINISTER,
AT THE TECHVENTURE GALA DINNER
AT CHIJMES HALL,
ON THURSDAY, 25 SEPTEMBER 1997 AT 8.00 PM**

Introduction

I welcome the many distinguished specialists in venture capital and technology ventures to tonight's dinner and the TechVenture Conference. I hope the conference will prove a useful networking forum, and will encourage you to visit us and our region regularly. At the same time, Singapore hopes to benefit from your ideas and expertise. We have organised this event as part of our effort to upgrade the economy, to push it towards technology-intensive activities, and to promote innovation and entrepreneurship.

We have been fairly successful with the first thrust - promoting technology intensive industries, particularly in electronics. Other East Asian economies have also been moving in the same direction. According to Dataquest, by the year 2000, global electronics production will be led by companies from Asian economies. In Singapore, electronics output is over \$60 billion a year, more than half our manufacturing output.

The emphasis on high value added growth industries like electronics and increasingly, communications and information technology, is a matter of economic necessity. As a regional hub in communications, transport, distribution and finance, Singapore will continue to develop its services economy, particularly financial services. But we also intend to ensure that manufacturing remains a key pillar of the economy. In a tight labour market, with a well educated workforce which expects to be well paid, we cannot sustain a manufacturing sector on the basis of low cost labour. High value-added industries require and are able to pay a premium for skilled workers and engineers, superior infrastructure and a responsive, positive business environment. They are better suited for Singapore.

Furthermore, the sources of growth in manufacturing worldwide are coming increasingly from new technology. According to one UN report¹, the growth rate of exports of "new" products, defined as computers, telecommunications equipment, microelectronics and semiconductors, is three times that of all manufactured products.

Our focus on innovation and entrepreneurship is more recent. Singapore started with multi-national corporation companies (MNCs); we positioned ourselves as a key operations and production base for them in the region. This has given us strong steady growth for three decades - an average of nine percent per year. But now, economies all over the region are following the same growth strategy, playing the export game and welcoming MNCs. Singapore will continue to compete for new MNC investments, and encourage MNCs based here to assume more product responsibility and upgrade their operations. But we need to do more to propagate a zeal for enterprise, and stimulate the innovativeness and creativity of Singaporeans.

¹ World Economic and Social Survey 1995, UN.

Silicon Valley

On all these counts – technology, innovation and entrepreneurship, intellectual capital – Silicon Valley has seemed to be the ideal that others are still struggling to attain. The Japanese recognised Silicon Valley's unique and large competitive lead, especially its brand of entrepreneurial ferment, and studied it closely in the 70s and 80s. So did other countries around the world. The US economy's recent vigour, and the recent stellar performance of US technology stocks, many of them stocks of Silicon Valley companies, has renewed interest in the Valley.

Many countries have tried to model science parks or science cities after Silicon Valley. But no one has quite succeeded in replicating it. Even in the US, where various states have tried to create their own "Silicon Desert" (Utah), "Silicon Alley" (New York), "Silicon Hills" (Austin), there is really only one Silicon Valley.

The combination of conditions and circumstances that created Silicon Valley are perhaps unique. It is located in the US, the strongest economy in the world. The Californian climate, environment and dynamic economy, which accounts for over 1/3 of US Gross Domestic Product (GDP), draws talent from all over the world, not least from Asia. Stanford is a world class university with no barrier between academia and business, where starting up a company to commercialise a clever new idea is a natural extension of a PhD project. The founders of "Yahoo", David Filo and "Jerry" Yang Chih Yuan created their very successful Internet search engine as a hobby while working on doctorates at Stanford's Computer Systems Laboratory.²

² Stanford Today, July/Aug 97.

Venture capital companies in the Valley have established a network of financing, management, legal and strategic support, which are viable only because there is a self-sustaining critical mass of firms in Silicon Valley. But Silicon Valley's individual success factors will be relevant elsewhere, where they can help create different models of entrepreneurship and ferment in different environments.

Role of Government

Silicon Valley has become what it is by taking an iconoclastic approach towards received wisdom. But one item of conventional wisdom, even dogma, which I believe is widely accepted in Silicon Valley is that the government has no role to play in its success. Although interestingly, the Internet began as Arpanet, which was a US Government Defence project. And the White House makes it a point to seek regular feedback from Silicon Valley technopreneurs.

In Singapore the Government is seeking to promote enterprise and innovation, and Government agencies are co-sponsoring this TechVenture conference. What should the Government's role be in this process?

Our philosophy is that the Singapore Government does have an active role to play. It has provided the infrastructure for growth, educated the population, and set the framework within which a free market economy can operate. It has created the conditions for Singaporeans and foreign investors alike to generate wealth.

Laissez faire does not happen in a vacuum. Otherwise Liberia and Somalia would have the freest and most prosperous economies in the world.

Laissez faire demands sophisticated preconditions to work – a stable cohesive society, a transparent and efficient legal system, political stability to underpin the economy. Most importantly, it demands a population that understands the system, believes that it works in their interests, and accepts that the rules are fair and the economic outcomes are legitimate. Without these, there can be no sustainable growth, only a wild-west environment and gross economic inefficiency.

Even though we are a free market economy, in economic policy, the Government has taken positions, and pushed the economy in particular directions. It promoted manufacturing, encouraged the shift to high-technology, and sought to strengthen our position as a regional hub. The Economic Development Board (EDB) has a vision for the manufacturing sector, which identifies what types of industries it hopes to attract to Singapore. And where some sector needs to restructure to achieve greater efficiency and performance, but the market is taking too long to work things out, the Government will intervene to nudge things along.

However, there are clear limits to what the Government can do. It cannot direct what activities firms should or should not undertake. It should not ask companies to embark on projects which are uneconomic, on the basis that these are “strategic” projects. Nor should it back specific projects, except in rare circumstances, perhaps because the project is too large or too risky.

The experience of countries the world over is that governments are not well placed to make commercial judgments, and that “strategic” projects which are not commercially viable seldom succeed in their wider objectives. We have to accept that the Singapore Government too is subject to the same limitations.

The Singapore economy is heavily dependent on MNCs today, because the Government set out, successfully, to attract MNCs to Singapore – by creating a disciplined workforce, an efficient and transparent business environment, and a stable base offering first world standards at third world prices. Just as the Government helped create the present dispensation in the first place, it must now guide the economy to change, to anticipate future challenges.

For the next phase, we are putting in the infrastructure for the information and knowledge age – T3 links across the Pacific, a nation-wide broadband network called Singapore-ONE, a Secure Electronic Transaction system with Visa and MasterCard for electronic commerce. We are also putting computers and the Internet into every school, and incorporating computer-based learning into the school curriculum.

But more important, and more difficult, than building the physical infrastructure is to create a conducive environment that attracts talent, and produces individuals with the drive, the imagination and the ambition to dream new dreams, and blaze fresh trails where others have not ventured. Success depends on a combination of factors – innate talent among the population, who will make the most of the education and opportunities available; an education system which encourages inquiring minds and teaches problem solving skills; an economy and a taxation system which rewards enterprise and success; and a society which admires rather than envies success, and is tolerant of people who venture, fail, but are resilient enough to pick themselves up to try again.

Some of these factors are more straightforward than others – it is easier to get the taxation system straight than to change society's attitudes towards risk and failure. But it is the Government's responsibility, working

together with the people and with the private sector, to lay the foundations for continued growth and prosperity, in a new and more bracing environment.

It will help if the Government maintains a strong public and private sector dialogue, and actively welcomes constructive and innovative ideas, wherever they may originate, and whether or not they agree with the government's views. But ultimately it is the people and the private sector that must choose more adventurous, less assured paths to success.

Conclusion

This is where this Conference and the contacts, ideas and experiences that it will spawn can contribute. Over these few days, we will hear and learn from your experiences. I hope that through these exchanges, you will also discover something useful about Singapore and the region. And notwithstanding the current temporary loss of economic stability and confidence in some regional countries, I hope that you will sense the opportunity and promise in Asia, and find ways to participate in the region's, and Singapore's, progress.

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