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Subject: (Embargoed) Speech by Dr Lee Boon Yang, 18 Feb 99, 2.30pm

Singapore Government

PRESS RELEASE

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SPEECH BY DR LEE BOON YANG

MINISTER FOR MANPOWER

AT THE CHINESE NEW YEAR GATHERING IN SINGAPORE, ORGANISED BY SINGAPORE CLUBS IN  
CHINA

HELD ON WED, 18 FEB 99 @ 2.30 PM

SINGAPORE MANDARIN HOTEL BALLROOM

May I first welcome all the Singaporeans working in China, back home for the Lunar  
New Year, and to wish everyone a Happy and Successful New Year.

Family reunion is the highlight of the Spring Festival. I am happy to see  
Singaporean expatriates in China have taken the trouble to keep up with the  
tradition by coming back home to see parents, brothers, sisters and friends. This  
will certainly help to keep the family ties strong and renew your roots in  
Singapore.

As you know, we are facing a sharp reversal in our economic performance. The  
regional economic crisis which caused dramatic devaluation of currencies, rising

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unemployment, lower investor confidence and uncertainty in the region has also affected Singapore. This is unavoidable as we are closely linked to the regional economy. Last year, our GDP growth fell sharply from 7.8% in 1997 to 1.3% in 1998. This was the result of the economic upheavals in the region and the fall in demand for our goods and services, as well as a global downturn in the electronic sector.

We have faced similar crises before, including a recession in the mid-80s. Yet we have emerged from these crises stronger and more resilient. We have made a virtue of having no resources and succeeded to overcome threats and challenges by continuously and imaginatively developing and re-positioning ourselves as the world around us changes.

Although the crisis we face today is the most severe since 1965, we are also in a much stronger position to cope with the downturn. While we may not be able to influence the course of events in neighbouring countries, we are nevertheless still able to consolidate, hone our competitive edge and seek our new business opportunities. Our strong fundamentals, fiscal and current account surpluses, open market and transparent financial system, have distinguished us from regional competitors and enabled us to stay ahead. By positioning ourselves as a stable and rewarding business centre, we can further boost our economic lead over our competitors.

#### Short-Term Cost Reduction

In June 1998, the Government announced a \$2b off-budget package of cost cutting and spending measures to boost the Singapore economy which had started to show signs of downturn. By the 3rd Quarter, the slowdown has become more severe and additional measures made necessary. Hence, in Nov 98, the Government announced a \$10.5 billion cost reduction package. This included a 10% point cut in employer's CPF contribution rate and reduction in wages which should add up to a 15% reduction in total wage cost. These measures had been recommended by the Committee on Singapore's Competitiveness to help businesses regain international competitiveness. The impact of the cost reduction package is still working through the economy and the full effects will only be felt later in the year.

#### Transforming Singapore to a Knowledge-based Economy

Apart from the short-term cost correction, we must also anticipate the future and begin to prepare for the changes which will be caused by globalization. Singapore must be prepared for a rapid proliferation of new technologies and new business opportunities. This will require us to evolve into a knowledge-based economy (KBE) with high value-added industries and a highly skilled workforce. In effect, to stay successful, we can no longer just depend on the old way of doing business. Success in the future will depend on our ability to tap the information explosion and changing technologies to create new knowledge-intensive products and services. This will require the development of talent and human resources into a skilled and adaptable workforce to sustain competitiveness.

Hence, apart from cost reduction to regain competitiveness, the other challenge is to upgrade the skills and capabilities of our workers. We have introduced the Skills Redevelopment Programme and established the Bukit Merah Skills Development Centre to provide training opportunities for our workers. In particular, we are focussing on the older workers who have lower skills and who are most vulnerable to retrenchment during this recession. We are also developing a Manpower 21 strategic blueprint to enhance and develop the knowledge and skills of our workers through a comprehensive in-employment training system. This will include developing the concept of "School for Life-Long Learning" with institutions, such as the Bukit Merah SDC, and also involving all our existing education and training institutions.

#### Spreading Our External Wing

Last year, the CSC also recommended sustained efforts to expand our external economy. Developing an external wing would boost the breadth and depth of our

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domestic economy. Because our domestic market and resource base is limited, we cannot be a domestically driven economy. We need to tap the wealth of business and job opportunities in the global market. Not only can companies benefit from the creation of business abroad, they can also gain from redistributing their activities. More labour-intensive and land-intensive activities can be better carried out overseas. Scarce manpower in Singapore can be deployed to concentrate on higher value-added activities, like finance and treasury management services, procurement, shipping, marketing and distributions services. Eventually, Singapore will serve as the nerve centre of extensive global network of businesses.

Spreading our external wing is even more critical in the current climate because it will help us diversify our range of economic activities and alleviate the impact of a slowdown in any particular region. It is like the old saying about not putting all our eggs into one basket. An external wing helps to spread the eggs into different baskets. It offers diversified markets, products and services, yet contributes to Singapore economic output. A vibrant external wing will allow us to recover ahead of others when the regional economy picks up momentum again.

As Singaporeans working in China for Singapore corporations or other MNCs, you are our pioneers in building the external wing. I know that it is not easy attempting to make inroads into foreign markets like China. You face many obstacles and demands. But you should not be deterred. You are Singaporeans with a unique combination of skills, values and commitment to your challenge. Furthermore, you are not operating alone and isolated. The network of Singapore Clubs in China provides invaluable opportunities for Singaporean expatriates to exchange experience, develop networking and keep up with developments at home. This not only helps you "feel more Singaporean" but also allows you to draw strength from the friendship and support of fellow Singaporeans to help overcome the challenges you face and the responsibilities you shoulder.

In closing, I would like to commend you on your willingness to venture into unfamiliar grounds, with all the sacrifices that this entails, which enables us to regionalise and build up an external wing. You are setting fine examples for other Singaporeans in reaching outward for new and exciting opportunities while at the same time, remain committed to Singapore as your home and base for the family.

As long as all Singaporeans look beyond the present difficulties, remain cohesive and steadfast to Singapore, regardless of whether they are contributing to the domestic or external economy, we are confident of overcoming this crisis. We will recover and achieve growth and prosperity despite this setback.

Finally, may I once again wish you a Happy, Healthy and Prosperous Lunar New Year.

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