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Singapore Government

PRESS RELEASE

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SPEECH BY GEORGE YEO, MINISTER FOR TRADE AND

INDUSTRY, AT THE TDB AWARDS & SCHOLARSHIP

PRESENTATION CEREMONY ON 20 AUG 99 AT 3.00 PM

# National Archives of Singapore

I am delighted to be here this afternoon for the presentation of the TDB Awards and Scholarships. The Approved International Trader (AIT) and Approved Oil Trader (AOT) awards are given to successful companies which are committed to using Singapore as the hub for their global operations. The scholarships show TDB's emphasis on human resource development.

Trade – at the heart of the Singapore economy

Since the founding of Singapore in 1819 by the East India Company, trade has been at the heart of our economy. Singapore's strength as a trading community is

the result of our ideal geographical position, excellent infrastructure, good governance and free trade policy.

Much of the culture of modern Singapore is shaped by our history as a trading community from the days of Raffles. Immigrants from different parts of the world settled here bringing with them valuable knowledge of distant cultures and markets. We are connected by history, blood and culture to all four corners of the world. These traditions are passed down and refreshed from generation to generation. They help make Singapore what it is today, a bustling entrepot between East and West, North and South.

Since the introduction of the AOT scheme in 1989 and the AIT scheme in 1990, TDB has attracted a sizeable pool of top trading companies to Singapore. They are the modern equivalents of the British East India Company and the Dutch VOC. There are now 111 international trading companies here operating under the AIT and AOT schemes.

These companies have strengthened Singapore's position as the major trading hub of the region. 16 of Fortune Global 500's top 100 companies are based here under either the AIT and AOT scheme. Most major oil players, including Exxon, Shell, BP Amoco and Mobil have a significant presence in Singapore, making us the world's third largest oil trading centre. As the world's largest rubber trading centre, the entire value chain of the rubber industry is found here, from suppliers like Lewis & Peat to consumers like Goodyear Tire. The world's major grain traders like Cargill and Louis Dreyfus are also among our AITs.

The market coverage of these AIT and AOT companies extends to all the 5 continents. In 1998, these AIT and AOT companies generated US\$68 billion in turnover and total local business spending of S\$2.2 billion.

The international trading sector has also contributed greatly to the growth of other economic sectors like banking, finance and treasury, hedging, logistics and headquarter services. Caltex, one of the pioneer AOT companies, relocated its global headquarters to Singapore in 1998. It had already sited its global oil-trading operation here 10 years ago. The presence of major international trading companies encourages the establishment of foreign banks and the development of different kinds of trade financing. In 1998, the value of AIT and AOT transactions using Singapore's banking and financial services amounted to US\$172 billion.

International trading is knowledge-intensive. Value is created based on a thorough understanding of clients, markets, products, financial instruments, trading methods, risk management and logistics. The value-add per worker for the AIT and AOT companies was S\$505,000 in 1998. More than 50% of their employees have at least tertiary education. For these companies, 20-50% of business spending is on manpower.

Changing with the times - Government

No trading advantage is permanent. Looking back at the last 180 years, we have shifted from spices and opium, to rubber and tin, to ACUs and semiconductor. More and more, we have to be competitive not regionally but internationally. In the face of growing international competition, the Government is taking measures to bolster Singapore's position as an international trading centre like London and New York. We will continue to invest in the infrastructure needed to achieve our objective.

For example, TDB is upgrading TradeNet to TradeNet Plus by 2001. Covering the whole range from procurement to payment, TradeNet Plus provides a network of connected systems. When fully implemented, a saving of S\$2.8 billion per year is possible.

We must also increase our links to new markets in Latin America, Eastern Europe, the Middle East, Central Asia and Africa. While we encourage our traders to go to these places, we should also encourage their traders to come here. We will also make it attractive for new activities like procurement houses, and paper & pulp trading to hub in Singapore. Existing incentives such as the AIT scheme will be enhanced to facilitate these new flows.

In recognition of the fast growing importance of eCommerce, the Government launched last year the Approved Cyber Trader (ACT) scheme. This is one of many measures to establish Singapore as an eCommerce hub in the world.

To develop the full range of manpower capabilities, TDB, in collaboration with the Ministry of Manpower, is conducting a comprehensive survey on the manpower requirements of the international trading sector. We will then tailor our training programmes and manpower policies to meet the needs of international trading companies.

Changing with the times – private sector

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However, while the Government can only put in place the infrastructure to facilitate trading, it is up to traders in the private sector to make use of this infrastructure. With IT changing the way trading is done in different sectors, our traders must reorganise and respond to a different set of challenges and opportunities. I would like to highlight three relevant areas.

First, trading companies must go beyond merely selling a product. They must review their own and their clients' business processes to see where else they can add value and lower cost. Many companies have already moved in this direction by providing extra services. Some have gone into product design, branding and customised solutions. In many cases, traders have to invest upstream or downstream to maintain their competitive position. For example, Fook Huat Tong Kee, a trader in fruits, has invested in plantations, distribution networks and production facilities in China. Hiang Kie, a trader in coffee, has gone into brand development, retail and franchising. It has created the Coffee Club chain. Ban Joo, a textile trader, now designs its own fabric.

Second, as companies may lack the capabilities and resources to meet the challenges of a more competitive environment, they may need to go into partnerships and source for outside talent. Asia Resource Corporation, a home-grown company which started as a small trader of consumer products and commodities, is a good example. The company has grown by partnering established food companies like Del Monte of the Philippines and the Dohler Group of Germany. It has recruited an experienced brand developer, formerly from PepsiCo, to head its joint venture with Dohler on product R&D.

Third, trading companies must move with information technology. In the past when communication was slow, the competitive advantage of traders was largely based on having information others did not have. With modern information technology, such advantages are ephemeral. Today, we must use technology to turn information into useful knowledge quickly. For example, the soon-to-be-launched Traders and Scheduling Workbench (TSW) software, developed by SAP AG, will help oil and chemical companies in complex decision-making, especially the planning, scheduling and execution of bulk oil movements. Future Electronics, one of today's award recipients, is building an on-line integrated system that customises solutions for its customers in supplies management, manufacturing, marketing and distribution.

#### Conclusion

But important as technology is, human networks are still the most critical. Tribal networks will remain useful in many areas of trade. While we need IT to succeed as a trading nation, we must also be a people with deep economic and cultural connections to the region. We must be a people with a keen sense of different market conditions and wise to the ways of the world. The Government will do what it can to help our traders to penetrate foreign markets. We will work hard to create a regional and international environment that is conducive to trade and the free flow of information and ideas. Our economic agencies will provide better common user facilities for our businessmen. What we want to achieve in the end is an overall situation where you buy cheapest and sell dearest through Singapore. The key is the entrepreneurial spirit of the private sector. Together with the Government, we can make Singapore a 21st century city-state that makes a major contribution to the prosperity of a much larger economic region.