


SPEECH BY SENIOR MINISTER LEE KUAN YEW AT THE SCCCI MILLENNIUM CELEBRATION DINNER ON
TUESDAY, 28 DEC 99, 8PM

Rapid economic recovery

We had two recessions in the last 34 years, 1985 and 1998. On both occasions, we recovered quickly: after four quarters in 1985 and two quarters in 1998. Both were V-shaped recoveries. Our sound fundamentals and rational policies in response to the crisis made them possible.

What were the key factors for the success?

The first is maintaining our relevance to the world. We are heavily dependent on external demand and trade. We are price takers. During the 1960s, when developing nations were wary of MNCs and went in for import substitution protected industries, Singapore bucked this conventional wisdom. We became a base for low-cost manufacturing and succeeded. Next we upgraded to capital-intensive, high value-added goods; later we became a regional hub for operational headquarters, design and R&D. Today, we have over 5,000 major MNCs in the electronics, chemicals and engineering industries. Over half of them have their Asian headquarters in Singapore.

Second, we have always concentrated on human resources – education, training and skills upgrading. In 1979, we established the Skills Development Fund (SDF) to encourage employers to upgrade the skills of their workers through the SDF co-funding training. Then in 1982 I launched the Productivity Movement. A decade ago, only 19% of our workforce had post secondary and above education. Last year it has increased to 34%. Employers have begun to recognise the need for continuous training. In 1986, employers spent only \$2 on training for every dollar of SDF grant. Last year, the figure rose to \$17 for every SDF dollar.

The educational profile of our workers is behind those of developed economies. Only 34% of our workforce possess at least a post secondary education, compared to 64% in Korea and 60% in Taiwan, 81% in Japan and 89% in the US. Our workers must realise that the shelf life of their skills will increasingly shorten. Only those who can constantly refresh their skills will remain gainfully employed.

Third, we have always looked ahead to meet the future. The Government is prudent, always spending within its means. We have accumulated surpluses year after year, to build up our reserves. They are our ballast, enabling us to sail through the recent Asia financial crisis.

However we have not 'arrived'. The speed at which things turned bad shows that we have always to be on our toes.

Remaini ng relevant

Technological advancement will further hasten the pace of change. The IT revolution and Internet will transform the global markets. In a dynamically changing environment, the danger of becoming irrelevant is high.

We have to be nimble to take advantage of the rapidly changing environment, as the world's economy becomes increasingly global.

We need to remain plugged into this global network, and be a node in the international flow of trade, investment, knowledge and technology. This requires us to keep our markets and minds open, to welcome foreign companies and talents, and be receptive to new technology and ideas. We have to redefine our roles and find new ways to add value.

Continual upgrading

Knowledge and skills will be key factors for success in the next phase. Our workers need to adapt to changes, to make learning and relearning a way of life. To do this, both workers and employers have to change their mindset.

On the other hand, there are pockets of employers who have yet to adopt a positive approach towards worker training. The smaller companies are particularly slow in changing their attitudes. The Productivity and Standards Board (PSB) tells me that companies with less than 100 employees spend only about 2% of their payroll on training. In contrast, companies with 500 employees or more – most of them MNCs – spend three times as much.

Smaller companies must realise that training and skills upgrading can no longer be treated as good-to-have but as must-have qualities. Successful MNCs do not treat training as merely a tax-deductible expense, but as a long-term investment in human capital. They see returns on this investment in higher output and productivity from

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employees, and often a stronger sense of loyalty and dedication for the company.

I am glad to hear that SCCC has set up the Training Promotion Centre to facilitate the training of workers in SMEs. I understand the Centre helps SMEs identify their training needs and source for training programmes. It also assists them in the enrolment and application of SDF grants. I commend SCCC's proactive approach and urge more companies and workers to sign up.

Despite three decades of almost uninterrupted prosperity, Singaporeans must never forget our inherent vulnerabilities. The day we ignore these vulnerabilities, that day we will slide into complacency and danger.

Staying united as a people

A basic precondition for continuing success is national unity.

Those of you who lived through the 1950s and 1960s, can recall the tumultuous unrest during that period. Employers and workers became adversaries, even enemies. There was no mutual trust and respect. Strikes and stoppages were pandemic. Economic development was difficult with acrimonious labour relations.

It has taken time to build the tripartite cooperation between government, employers and workers. In the last two recessions, when we needed to cut employers' CPF contributions to help the economy recover, tripartite cooperation and trust made these cuts possible. In other countries, such wage cuts would have caused riots.

Concl usi on 

From its early start in 1906 as a guild for Chinese clan associations, the SCCC had evolved into a strong business institution to promote trade and industry, and to improve skills through education and training. It has also made significant contributions towards culture and society. The SCCC has become the representative body of the Chinese business community in Singapore.

I am confident that having gone through the trials and tribulations in the last 30 years together, we can face the future with confidence. We need to change and adapt as the world around us changes. The old Chinese Chamber of Commerce has changed to stay relevant. The present SCCC will have to continue the effort.

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