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Singapore Government

PRESS RELEASE

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**SPEECH BY GEORGE YEO, MINISTER FOR TRADE & INDUSTRY, AT
THE RECEPTION FOR JETRO INVESTMENT SURVEY MISSION ON 22
FEB 2000 AT 7.00 PM**

National Archives of Singapore

Mr Hatakeyama (Chairman & CEO, JETRO)

Mr Maeda (Dy Mission Leader, Executive Counsellor of Toray
Industries and Chairman, Sub-Committee on Asia & Oceania, Keidanren)

Friends from the JETRO Investment Survey Mission

Ladies and Gentlemen

1 It is my pleasure to welcome the JETRO Investment Survey Mission to

Singapore.

2 Japan and Singapore enjoy a warm relationship. Japan is Singapore's third largest trading partner and second largest source of foreign investments. Leaders from our two countries visit each other frequently. PM Goh, SM Lee and DPM Lee have all visited Japan last year. Mr Hashimoto, Mr Obuchi and a number of Japanese ministers have also visited Singapore in the last two years.

A Friend In Need

3 To Singapore and to ASEAN, Japan has been a friend in need. Japan has been the largest contributor to both bilateral and IMF-led rescue packages since the crisis started in 1997. In October 1997, Japan contributed US\$5 billion to the financing in support of the first IMF package in Indonesia. This has been followed up on with the US\$30 billion Miyazawa Plan as well as more recent proposals to help crisis economies tap private sector funding through credit guarantees, public bond guarantees and interest subsidies.. This underlined Japan's commitment to the region.

4 This JETRO Investment Survey Mission to Singapore and Thailand means much to us because it is another statement of Japan's confidence in our long-term prospects. Except for Indonesia, ASEAN countries are now coming out of the crisis. Continued Japanese investment will be of great help to the ASEAN economies.

Regional Prospects

5 As a result of the recent crisis, ASEAN as a regional organisation has grown stronger. When the ASEAN leaders met in Manila in November last year, they agreed to bring forward the deadline for zero tariffs in AFTA from 2015 to 2010 for the core countries. We are well on our way to reducing almost all tariffs to 0-5% by the end of 2002. The leaders have also decided to establish quickly a common ASEAN free trade space for ICT and e-commerce.

6 One factor driving the consolidation of ASEAN is China. China concluded its WTO deal with the US last November. Regardless of the outcome of the US Congress vote on permanent Normal Trade Relations, China will most likely join the WTO. China's entry into the WTO is good for the entire region. It will create all kinds of new opportunities for us. However, China's entry will also have a

diversionary effect on investments into ASEAN. We in ASEAN will have to think hard how to reposition ourselves for more intense competition. There is stronger political will now to integrate all of Southeast Asia economically into one economic area for trade and investment. Since ASEAN is completely non-threatening, we have very good relations with all the major powers - Japan, the US, the EU, China and India. Japan has played and will continue to play a major role in the economic development and integration of Southeast Asia.

7 Let me turn next to Indonesia. Indonesia's economic recovery has a big impact on the region politically. It is a "chicken-and-the-egg" problem. Without investments and economic revitalisation, political stability is hard to achieve. At the same time, social and political unrest continue to undermine the government's efforts to promote inward investments. Despite the problems, however, Indonesia under President Wahid has made significant progress. Because of free and fair elections, Indonesia now has a legitimate government. Though the economy is far from fully recovered, the trend is positive. Growth this year is expected to be 3-5%. Now is the right time to weigh in and help Indonesia. Last month, PM Goh led an international mission to Indonesia to show confidence in Indonesia under President Wahid's leadership. The delegation included a number of Japanese businessmen. Although Singapore is too small to play a major role by itself, we can be a catalyst for others to follow.

New Challenges, New Partnerships for SMEs

8 Southeast Asia offers many opportunities for Japanese SMEs. In Japan, SMEs employ 70% of wage earners and 55% of value-added Source: Japanese Institute of Labour in the economy. As PM Obuchi has emphasised, SMEs are the "fountainhead" of Japan's economic dynamism. Recently, the Japanese government has pumped a further 7.4 trillion yen into the SME sector directly and another 10 trillion yen by way of guarantees so that these firms can obtain bank loans. In Singapore, our SMEs face similar challenges in the face of globalisation. Recently, we launched SME21, a plan to strengthen the SME sector in Singapore.

9 One of our strategies to promote SMEs is to help them tap into global networks. In line with this, we are working to make Singapore an SME hub. We already have a German SME centre and a French SME centre. A Nordic centre is being planned for. Last month, SM Lee mooted the idea of a Japan SME centre in Singapore to the Japan Chamber of Commerce and Industry. I hope JETRO's mission will explore ways for our SMEs to work closer together for mutual advantage.

10 One way of deepening bilateral ties between Japan and Singapore is to establish an FTA between our two countries. Our Prime Ministers have recently agreed to do an official study on the materialisation of such an FTA. This will provide new opportunities for our businesses in the services sectors especially in the growth areas of IT, e-commerce and finance. A Japan-Singapore FTA will also strengthen Japan's position in Southeast Asia and Singapore's position in Northeast Asia

Conclusion

11 JETRO under Mr Hatakeyama's leadership has played a major role in strengthening the ties between our two countries. We admire JETRO for the way it has been promoting the internationalisation of the Japanese economy in the last 41 years. Mr Hatakeyama, we warmly welcome all members of your delegation here. I hope that your visit this week to Singapore and Thailand will be fruitful and enjoyable.

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