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Singapore Government

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SPEECH BY DR LEE BOON YANG, MINISTER FOR MANPOWER, GUEST-OF-HONOUR AT THE AIESEC SINGAPORE 30TH ANNIVERSARY DINNER 2000 HELD ON 27 MAY 2000 @ 8.00 pm NUS GUILD HOUSE, KENT RIDGE DRIVE

It gives me great pleasure to officiate at AIESEC Singapore's 30th Anniversary Dinner.

2 Last Friday, the MTI released the 1st Q result. It was good news all round. The Singapore economy grew by 9.1%. Except for construction, most of the other economic sectors enjoyed robust growth. The economic downturn of 1998 is behind us. We have succeeded to realign our cost competitiveness following the massive changes brought on by the regional crisis of 1997. The prospects are good. MTI had in fact upped the annual growth projection from 4.5 to 6.5% to 5.5 to 7.5%. But there are still many challenges lying ahead of us. This evening, I will touch on two aspects of the challenges facing us as we set out to transform the economy into a knowledge-based economy, otherwise known as the New Economy:

- a) the internationalization of Singapore talent; and
- b) the global war for talent.

New Economy

3 But first a few words about the scenario ahead of us to explain the need for Singapore to transform itself into a knowledge-based economy. There are two trends, which will have tremendous impact on our well being. I am referring to the twin forces of globalization and technological changes.

4 Globalization will lead to more opportunities with increasing cross-border trade and investments. But at the same time it will introduce more competition. Hence Singapore with its small workforce can expect greater challenge and competition not just from our regional neighbours but also from developed countries eg Ireland and other OECD countries. In fact, as management consultant Chris Meyer argued in his book “Blur: the Speed of Change in the Connected Economy” what matters in the future is no longer producing something better and cheaper. Asia can no longer compete with the rest of the world merely on the basis of cheaper labour. Singapore in particular cannot depend on cheap labour to draw in new investments to create jobs. We have to seek out new areas where we can continue to maintain a competitive edge eg chemicals and life-sciences, IT and high tech manufacturing. The focus is on new value creation and innovation. In the New Economy, creativity and entrepreneurship will make the difference.

5 Next rapid technological changes will affect the nature of new investments and the skills which our people must acquire to stay employable. Frequent technological changes means that we must regularly update and upgrade our skills and knowledge in order to remain relevant to the labour market.

6 The OECD had estimated that among its major member economies, about one-third of GDP comes from the knowledge-based industries in 1994. In the US, KBI contributed 36% in 1994 and in Japan, it was 29%. Further in the US, the 1999 Fortune 500 companies listing showed that industries in ascendance were telecommunications, financial services, computer and IT services. On the other hand, traditional manufacturing industries such as railroads, metal and petroleum refining suffered declining profits. The US also expects that by 2006, half of its workforce will be engaged in knowledge industries producing IT products or heavily dependent on IT. Last year, the KBI in Singapore which include computers, aerospace, pharmaceuticals, communication equipment and other high-value added products contributed only 22% to GDP. These trends in our major markets underscore the urgency for us to switch gears and to

transform ourselves so as to tap the growing opportunities and survive increasing competition.

Internationalization of Talent

7 In the New Economy, we must expect more Singaporeans to venture abroad for experience or to realize their dreams. This is the internationalization of our talent. Some will be posted abroad to work for the MNCs or local companies that have gone international. Others would have gone abroad simply to test their ideas in a bigger more lucrative market with the critical mass in expertise and market sophistication. For instances, Singaporeans Tan Eng Siong, Lam Vui Chiap and Then Thai Wey founded the Third Voice here based on research done in Kent Ridge Digital Research Lab but went to Silicon Valley to develop it further. The Third Voice was named by Fortune last year as one of the year's twelve hottest tech outfits. Others who have followed this path include Ong Peng Tsin who founded Interwoven estimated to be worth S\$3billion in Nov 99, Koh Eng Kiat formerly of NCB who founded Private Express, Dr Keith Kee a former GP who started eMedicalcare Corporation and Jason Lim the Singaporean business angel in the Valley who has been successful spotting new projects and investment opportunities.

8 Such internationalization can be a positive development. In fact to be globally competitive and New Economy ready, we must acquire international experience, gain relevant exposure and the ability to cross culture and work with talents elsewhere. Prof Terry Garrison, Professor of International Business, Henley Management College, UK had this to say on a recent trip to Singapore. The press reported him as saying that the only way to develop the imagination, the flair, the vision and entrepreneurship to create the world of tomorrow is by exposing Americans to work in China, or Singaporeans to work in Germany to understand their social and business climate. I am paraphrasing what he said. But the essence is that international experience will shape useful global perspectives, boost confidence to tackle the New Economy, encourage more enterprises and forge greater resilience.

9 Indeed, Singaporeans who have experience working, living or studying overseas are important intermediaries in the interconnected global economy. Their familiarity with foreign business climate and society will enable them to subsequently help Singapore enterprises to expand into the international arena. They can help to build a web of economic and social contacts that promote a flow of information and knowledge to link Singapore to the dynamic but distant

parts of the global economy. Thus AIESEC by promoting international exchange and borderless learning, can help facilitate this circulation of talent and networking. The international traineeship programme offered by AIESEC will provide Singapore youths the opportunities to internationalize and develop themselves in the challenging New Economy environment. Young Singaporeans who have been through the AIESEC experience would be well placed to take on the challenges of globalization and help Singapore to succeed in the New Economy.

10 The internationalization of Singaporean talent is not necessarily a loss. As long as they remain a Singaporean at heart and seek to play their part and contribute their effort even from afar, they remain our assets. Of course, if they cut their ties with home and no longer contribute directly or indirectly to Singapore, then regrettably we will feel a loss. Hence it is important for us to help them to maintain ties with home so as to be able to attract them back or tap their expertise for our national effort. That is why government has set up a network of eight Contact Singapore Centres worldwide. The most recent addition to this chain was the Hong Kong Contact Singapore Centre opened last November to cater to the approximately 10,000 Singaporeans working and living in Hong Kong.

11 Contact Singapore serves as convenient physical point of contact for Singaporeans working or studying abroad. It also offers its services via the Internet. Expatriate Singaporeans can turn to Contact Singapore Centres for a wide range of services and answers to many of their queries especially for those who have been away from home for some years and need to update themselves on the situation at home. It helps returning Singaporeans with re-entry issues eg job opportunities, placement of children in our schools and answer queries on National Service. Our objective is to ensure that Singaporeans who are working or studying overseas maintain strong links with home and to strengthen the Singapore Heartbeat even in distant lands. In time to come, we hope to draw them back to seize opportunities in employment and business. Even those who continue to work overseas could contribute to Singapore's external economy especially if they are working for Singapore corporations. We have witnessed how the Taiwanese and Indian IT professionals in the US had contributed significantly to the strong growth of the IT industries in Taiwan and India. Now returning PRC talents from the US is doing the same in China! There is no reason why we cannot also leverage on our talents in the international arena to boost our capability and tap new opportunities.

Global War for Talent

12 The second aspect of the New Economy is the emergence of a global market for talent. Today, countries that are leading in the New Economy are competing vigorously for talent and skills.

13 The US, Canada and Germany are laying out their welcoming mats to foreign talents. The shortage for skilled workers especially in the IT sector has been so severe in the US that by March this year they had exhausted their quota of H1-B visas. These are visas reserved for highly skilled foreign manpower. Within less than six months into the fiscal year, applications for these visas have well exceeded the quota of 115,000. **The quota is now being increased to 200,000 per year!** In Canada, the government had set a target of bringing between 200,000 to 225,000 skilled immigrants into Canada within the year, with the long-term goal of an annual intake of 1% of population (“Canada...The Place to Be: 2000 Annual Immigration Plan”).

14 Recently, to overcome a scarcity of IT talent, South Korea has decided to liberalize its immigration policy to allow IT professionals to stay in the country for up to 10 years. They offered such IT professionals “gold card” valid for 10-year stay. This was in response to an anticipated shortage of 26,000 skilled workers in the software and e-commerce industries. This figure is set to rise as the country’s high-tech industry develops (The Straits Times, 2 May 2000.).

15 Chancellor Schroeder announced recently that Germany will review the visa regulations to facilitate the entry of more skilled foreign manpower (The Straits Times, 11 Mar 2000.). Germany planned to attract 20,000 IT professionals from India and Eastern Europe, to meet its shortage of 75,000 IT personnel. Foreign Minister Mr Joschka Fisher recently went to Bengalore in India to offer Indian software engineers jobs in Germany. According to the UN Population Division, eventually to maintain the size of its current working population, Germany will need to bring in more than 400,000 foreign workers annually (UN Press Release). Even Ireland’s booming economy has created shortages. On top of its indigenous talents, Ireland requires an additional 2,200 engineering and computer science technologists each year to fill anticipated and available jobs.

16 The competition for talent is going on all round us. There is no denying that human resource is going to become the key factor for success in the New Economy. Singapore cannot afford to lag behind in this war for talent. Given

our small local talent pool, Singapore's fate in the New Economy will be more closely linked to our efforts to develop home-grown talent and attracting international talent to supplement our very own resource.

Our Response - Augment Our Talent Pool

17 Our vision for Singapore in the new economy therefore is to become a Talent Capital, where local and foreign talent combine strengths, ideas and creativity to drive the economy and rise over global competition.

18 That is why one of the Manpower 21 strategies for the New Economy is to augment our talent pool, to grow beyond what our own human resource can produce. While we continue to develop our local talents, we need to leverage on the value-add of international talent to help us maintain our competitive edge. The knowledge, skills and experiences of international talent can help expand the economic pie and create opportunities for all. The combined capability, enterprise and energy of local as well as international talent will help us maintain the momentum to keep abreast in the global competition for wealth creation. It is a synergistic relationship with a win-win outcome for Singaporeans and foreign talents.

AIESEC's ITEP – Contribution to the Talent Capital

19 Hence, AIESEC's International Traineeship Exchange Programme (ITEP) can contribute to our development as a talent capital. It complements the NUS, NTU and polytechnics ongoing overseas industrial attachment and exchange programmes. AIESEC's commitment to actively develop our youths and efforts to bring in talented young people from overseas resonates with our national strategy. The diversity of people from various cultural backgrounds will help provide companies with a more global outlook and contribute to their effectiveness in the global business environment.

20 Our students who go overseas on internship under the ITEP will gain substantial working knowledge and skills from the experience. They will also be able to interact more effectively with people from different cultures and societies, think globally and adapt to changes and new operating environment. Above all the exposure to a different environment with their strengths and weaknesses should help our students to become more rounded and better prepared to become active citizens as envisaged in the S21 vision. As Singapore transit into the New Economy, these values are increasingly important both for

economic success and also social development.

AIIESEC's Development of Youths

21 The ITEP experience also promotes active learning beyond the constraints of lecture theatres and campus. This is timely as we embrace a culture of lifelong learning. It is critical for younger Singaporeans to take an early lead in life-long learning. As I said earlier, globalization will bring about more intense competition and faster, freer movement of resources, products and people. The advances of technology will shorten the shelf lives of knowledge and skills. This rapidly changing business landscape makes it necessary that we continue to seek learning opportunities even as we work to ensure our relevance and ability to contribute. The keenness to learn and continuously improve ourselves will become a crucial aspect of life in the New Economy.

Closing

22 To the young Singaporeans, participating in the ITEP, may I remind you that you are our Ambassadors. Wherever you go, remember to serve as true and exemplary Singaporeans to your hosts. To those who have come to Singapore under the ITEP, may I wish you a fruitful, memorable and rewarding stay in Singapore. We hope that this exposure will help you to better understand our society and concerns and that one day in the not too distant future you will come back to join us in our endeavours.

23 Thank you.

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