

**SPEECH BY MR LEE YI SHYAN  
MINISTER OF STATE FOR TRADE AND INDUSTRY AND MINISTER-IN-  
CHARGE OF ENTREPRENEURSHIP AT  
THE 22<sup>ND</sup> ANNUAL SINGAPORE 1000 & SME500 AWARDS  
ON THURSDAY, 5 FEBRUARY 2009, 8PM AT  
RITZ-CARLTON MILLENIA HOTEL GRAND BALLROOM**

Mr Ken Sansom, Chairman, DP Information Group,

Mr Ong Yew Huat, Executive Chairman, Ernst & Young LLP,

Distinguished guests,

Ladies and Gentlemen,

**Introduction**

It is my pleasure to join you this evening, to honor the achievements of the Singapore 1000 and SME500 companies.

***Preparing for a Changed World***

2 A year ago, as we gathered here, our GDP saw strong growth of 8.2% and 7.7% respectively in 2006 and 2007. The worry even till 6 months ago, was shortage of workers and inflation. However, the world economic environment has taken a dramatic turn since last October. A clogged-up financial system, slowing exports and rising unemployment are immediate concerns for many governments. The scale and speed with which the financial sector deleverages and the real economy contracts render recent forecasts obsolete. Many businesses have poor visibility beyond the next two quarters.

3 Even as we sail into uncharted waters, it is still important to keep our bearing. Many whom I met have asked the question “How long will this storm last?” Perhaps I could suggest that we also consider the question: “What will the world look like after the storm is over?”

4 In my view, there are two trends that we need to be cognizant of. Consider the prospect of a different America after the recession. Why? Banks in America are still writing huge sums off their balance sheets as they deleverage. Unemployment rises at a 16-year high and home prices have not stopped falling after 2 years. Bank credit to businesses and households remains very tight despite Washington’s extraordinary interventions in the financial sector.

5 Some economists have warned that the “borrow as you spend” era of credit-driven consumerism in America has ended. Many expect the post-recession America to have new regulators with tighter regulations on the financial sector. Subsequent lending will be reined in and conservative. If so, would the steady-state demand of American consumers still account for 40% of the world’s manufactured goods as before?

6 And yet personal consumption accounts for two-thirds of the US’ GDP. Hence, any significant reduction in American consumption would translate into over-capacities in a wide range of sectors in the exporting economies of Asia. The resulting plant closures and retrenchments, though painful, are only logical ways to restore the equilibrium of demand and supply. Already, export and output numbers of Taiwan and Korea are showing 14% to 45% fall since November 08.

7 Clearly, for the global economy to recover, our best hope lies in the stimulus measures of the major economies executed in a coordinated and impactful manner. This may halt the global economy from an economic free fall. Even then, a the prospect of a much-reduced demand from America in steady-state, a weakened Euro zone and an anaemic Japanese economy would mean Asia has to intensify intra-regional trade.

8 China, the world's 3<sup>rd</sup> largest economy, has about 50% of its GDP driven by domestic consumption including the consumption of the government sector. As China continues its economic development, her middle-class would rise in numbers and purchasing power. Meanwhile, China's stimulus package represents some good opportunities for Singapore companies in the infrastructure sectors.

9 The second key trend arises from the prospect of increased protectionism. As unemployment rises across the globe, many governments will face renewed political pressure to adopt job-protection, buy-local measures. In the US\$820 billion stimulus package put before US Senate, the "Buy America" clause has evoked strong reactions from America's trading partners. They fear that the clause might usher in more protectionist measures akin to the Smoot-Hawley Tariff Act which intensified the Great Depression in the 1930s.

10 Already, the IMF has forecast world GDP to grow by just 0.5% in 2009, the weakest level since World War II. If international trade is further constricted because of new protectionistic measures introduced, the outlook for 2009 would become even more negative.

11 Against these trends lie the basic question of what we should do to define a way forward. Can we diversify our exports to new markets? Can we re-double our export efforts in growth markets such as China, India and the Middle East? What new products and services can we create for these markets? Where are our new niches? Would it be education services for the Southeast Asia economies characterised by young populations? Or is it providing healthcare services for the aging population of developed economies around us?

12 For companies with strong balance sheets, is this a good time to acquire assets and new distribution channels? What about M&As to accelerate growth? These are some questions worth considering as we take stock and consolidate. But more importantly we ought to prepare ourselves for the eventual upturn.

### ***The Singapore economy***

13 As an open economy, Singapore is not immune to the tsunami waves of this global financial and economic crisis. Our exports and industrial output have declined sharply in the past few months. In the fourth quarter of 2008, the economy registered its sharpest ever quarterly decline. This recession is unlike any past recessions we have experienced.

14 Amidst this crisis, the Government has acted decisively. We rolled out a \$20.5 billion Resilience Package with a heavy emphasis on preserving jobs and helping viable companies pull through the downturn. This extraordinary package, arguably amongst the largest stimulus package in the world on a per capita or percentage of GDP basis, reflects the government's determination to help our citizens and businesses to cope with immediate concerns, and ride through the recession.

15 The \$4.5 billion Jobs Credit Scheme, for instance, is a bold measure aimed at safeguarding jobs while helping companies to stay afloat. The other components of the Resilience Package also deliver support to our businesses through property tax, rental and transport rebates, and still other tax measures such as the reduction in corporate income tax and accelerated write-down of capital allowance.

16. Some of the SMEs raised concern to me that the 40% property tax rebates may not be passed down to the tenants. However, I am pleased to learn from the media reports that Capitaland would pass on the property tax rebate in full to its retail tenants. Other mall landlords such as City Developments, Fraser Centrepoint, AsiaMalls and Marina Centre Holdings had said that they would pass on at least part of the rebates. I strongly urge more landlords to share the benefits of the rebates, with their tenants.

17 In addition, the Resilience Package contains a host of measures to help our companies to develop stronger business capabilities. These include schemes that help our companies to attain better penetration in the growth markets as well as diversify to emerging one. In the coming week, the Ministry of Trade and Industry will be elaborating further on these measures.

18 Even before the announcement of Budget 2009, MTI had already introduced pre-emptive measures to address the credit concerns of our companies. In November and December 2008, we enhanced our suite of financing measures to deal with the worsening credit environment. As part of Budget 2009, we further rolled out the Special Risk-Sharing Initiative, or SRI, to further support as much as \$11 billion of loans to our companies. This move allows larger companies and SMEs to gain access to bridging loans and other trade facilities. We are also working with financial institutions to facilitate the execution of the schemes. It was reported in a recent Straits Times' article that DBS had pledged their support for SMEs and had increased its loan approvals. We welcome DBS' commitment and would work closely with all other participating financial institutions to facilitate the execution of the schemes.

19 Confidence-instilling as they are, these measures alone would not bring us out of the recession. However, applied effectively, these measures could help our companies emerge stronger and more resilient after the crisis.

***Dealing with the downturn from a position of strength***

20 Having dwelled on several aspects of crisis management, I would like to instill a sense of balance amidst the economic gloom. The world may be in a recession but we must not be despondent. We have two good reasons to be confident.

21 Firstly, we have a strong Corporate Singapore. Our Singapore 1000 and SME500 companies have done well over the years. The combined net profit for Singapore 1000 companies jumped 57.1 per cent to \$131.2 billion in 2008 while SME500 companies also increased to 957.1 million from \$665.5 million in 2007. Similarly, the debt ratios had improved and on the average, Singapore 1000 companies and SME500 companies are holding more cash as compared to 2002. Of course, we recognized that these numbers were achieved pre-financial crisis. But still as a group, our best companies are well managed, well capitalized and have strong organizations and market reach. These are core and foundational strengths to take advantage of in an upturn.

22 Secondly, as a nation, we have prepared ourselves for rainy days. For many years, Singapore adheres to a prudent fiscal policy, spending within our means, maintaining a stable base of revenues and building up our reserves for contingencies. We do not borrow to fund the government budget and have sufficient savings built up during this term of government to fund the measures we are taking. In addition, we have also restructured our revenues over the last two years by raising the GST and amending the framework for spending out of Net Investment Returns. Therefore, Singapore has the resources to respond to the immediate needs of our citizens and local businesses without compromising our focus on long term initiatives.

23 Over the years, we have invested heavily in basic and advanced education, R&D capabilities, world-class infrastructure and social institutions. These investments in capacity not only helped us build a strong, diversified and sophisticated economy, they also laid the foundation for future advancement, knowledge and wealth creation. With the stable revenue base, we are pressing ahead with our investment plans to secure Singapore's future even during this downturn. As announced at the Budget, we will be spending \$4.4 billion on building new national capabilities. These investments will strengthen our position while we prepare for the eventual upswing.

### ***Conclusion***

24 While the challenges before us may be enormous, we are certain that we will prevail because we are dealing with the crisis from a position of strength.

25. This evening, gathered here in this room, are established leaders in Singapore. On your shoulder rest the responsibility to help steer Singapore into a renewed state of dynamism and vibrancy. Let us work together to render the passage to safety a certain and rewarding one. Thank you.