

**SPEECH BY MR TEO ENG CHEONG,
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AT THE FASTEST GROWING 50 AWARDS AND CONFERENCE, ON WEDNESDAY,
17 AUGUST 2011, 10.00AM
AT RAFFLES CITY CONVENTION CENTRE**

1. Mr Ken Sansom, Chairman DP Information Group. Ladies and gentlemen, good morning.
2. First, let me congratulate all the winners of the FG50 Awards.
 - a. The world has become very uncertain in the last few years and in particular, the last few weeks.
 - b. It has not been easy for businesses.
 - c. To be able to grow fast and remain profitable must mean that you have steered your companies in the right direction with the right strategies.
 - d. So I have no doubt that the awards that you have received this morning are well-deserved.
3. The conference theme today is "Managing for Growth: The Asia Economic Phenomena". I think this is very timely.
4. For many decades, the West has been driving the growth of the global economy. Initially, the entire chain of related economic activities is centred in the west, from financing, product development to manufacturing, marketing and the final consumption of goods and services.
5. Over time, because of global sourcing, Asia grew as a manufacturing base. The 4 Little Asian Dragons followed by other Southeast Asian countries benefitted from this trend and grew rapidly. Then China opened up and released millions and millions of workers into the world's manufacturing workforce. By the late 1990's, China has become the "Factory of the World".
6. But I would argue that at the turn of the century, it was still unclear what the future held for Asia. You would remember that Asia had just recovered from the Asian Financial Crisis. China was about to become a member of WTO in 2001 and there were doubts if the Chinese companies could withstand the onslaught of the multi-nationals waiting

at the gate. And to top it off, SARS came in 2003 and the contagion spread across Asia, giving rise to fears of a long-drawn epidemic.

7. Looking back, it is now obvious that the global economic balance was already shifting beneath the surface during those first few years of the new century. China's entry into WTO was a game-changer. Not only were Chinese companies able to compete quite effectively on their home ground, they were able to move into new markets in the rest of the world. As a result, there was an even greater impetus to shift more economic activities beyond manufacturing from the West to Asia and other emerging markets of the world. These include high-value activities such as headquarter functions. In Thomas Friedman's words, "this was the flat world".
8. On the other hand, despite the shift of economic activities to Asia, the US was able to continue consuming at a pace that we now know is beyond its means. All this was possible ironically, because of excess capital from Asia looking for safe investments in the West.

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9. But this over-consumption is simply unsustainable and came to fore during the Great Financial Crisis of 2008. When China and its stimulus package, helped pull the global economy out of a deep recession, it all became abundantly clear, that Asia, in particular, China, has become an engine of growth, for the global economy. China is no longer just a “Factory of the world”. It is now a big consumer and capital provider.
10. Today, we are still seeing this being unravelled. The US and European economies have shown slow growth because of their sovereign debt issues, high energy prices and other reasons. Singapore, being such an open economy, has also been affected. While we grew at a fast 9.3% in the first quarter this year, we only managed 0.9% in the second quarter. The economic growth forecast for the year has now been adjusted to 5 - 6%¹.
11. The future has again become very uncertain again today. In addition to the slow growth in the West, inflation in Asia is also a concern. Will the world see a double dip recession? Will there be more quantitative easing measures (QE3) in the US? Will the EU stand behind Greece again? Will China be able to have a soft landing with its anti-inflationary measures? All these are questions on everyone’s mind. I hope today’s conference will throw some light on these issues.
12. In the midst of all these uncertainties, it has become even more critical for Singapore to have Singapore-based Globally Competitive Companies, or GCCs in short. It is my belief that GCCs play an important role in our economic ecosystem. These are companies headquartered in Singapore, which have globally competitive products or services and which have significant global presence. It is, if you like, the final stage of a company’s path of development. I would like to believe that most companies set out with such a vision in mind and over time, with the right strategies and leadership would have a very good chance of becoming a GCC.
13. International Enterprise Singapore, or IE Singapore, is the government agency that drives the external economy. Put in another way, our mission is to help Singapore companies grow overseas and build up, an international footprint. And we do this with the end objective that companies should eventually become global in their operations, market access and should be able to stand up to competition even against the world’s

¹ Source: Ministry of Trade and Industry.

best companies. Through internationalisation, we hope these Singapore-based companies will become Globally Competitive Companies.

14. Some people have asked whether overseas investments by Singapore companies benefit Singapore or Singaporeans. We are fully convinced that the answer is a big YES. Overseas investments by Singapore-based companies also benefit other parts of the Singapore economy in many ways.
 - a. First, overseas investments generate backward linkages or spinoffs to Singapore. For instance, a Singapore-headquartered overseas plant is likely to source for components made in Singapore or source for services such as financial services from the financial institutions here. A study by IE Singapore has shown that for every S\$100 dollar of investment overseas, about S\$4 of economic benefits are generated for the domestic Singapore economy.
 - b. Second, overseas investments create good jobs for Singaporeans in Singapore and beyond. For instance, for a company with overseas investments in various countries in Asia, its employees are likely to have an enlarged job scope covering the region instead of just the Singapore market. Some will have regional business development opportunities while others may be based overseas overseeing entire plant operations. These jobs would not have come about if not for overseas investment.
 - c. Third, overseas investments will help develop executives with a global or regional expertise. Many of them will be our future business leaders. This is because as the world continues to globalise, having a global experience will be deemed essential. This will help create a valuable workforce for Singapore, ready for the future.

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15. From our experience working with Singapore companies, it is clear that there is great interest in Asia. Some numbers will tell the story.
 - a. First, our trade activity within Asia is significant. More than 70% of Singapore's total trade takes place within Asia. Out of our top 10 trading partners, 8 are from Asia².
 - b. Second, Asia is also our top destination for Direct Investments Abroad (DIA). It accounts for 52% of our entire DIA, with China, Southeast Asia and India leading the pack for Asia.
16. The reasons for Singapore companies' preference for Asia are not surprising; its large population size and fast economic growth, rapid urbanisation and growing middle-class. These reasons lead to business opportunities for companies in a wide range of industries from infrastructure development to consumer products.
17. Therefore, out of IE Singapore's global network of more than 35 overseas offices, 22 are in Asia. Our recent additions are the Wuhan office in China and Johannesburg office in South Africa. We plan to put even more resources into our overseas centres so that we can further deepen our market knowledge and help companies venture abroad.
18. While times are volatile and unpredictable, it may be the best time to explore new growth options. It is not too early to expand into Asia now, and IE Singapore would be happy to partner you on this journey.
19. I hope you will enjoy the rest of the conference today, and gain useful insights and business contacts.
20. Thank you.

² Ranked taking EU as a region.