



SPEECH

IE Singapore: Critical for SMEs to expand overseas in uncertain times

COMMENTS BY MRS LEE-KHOO WEE LIN, GROUP DIRECTOR FOR PLANNING, INTERNATIONAL ENTERPRISE (IE) SINGAPORE, AT THE DP SME DEVELOPMENT SURVEY 2011 PRESS CONFERENCE ON 20 OCTOBER 10.30AM

1. Good morning. IE Singapore drives the external economy by partnering Singapore-based companies in their international growth.

Singapore SMEs are globally-oriented

2. Yew Nah has covered the findings quite extensively earlier. While companies seem to be more cautious given the current economic climate, the findings also show that Singapore SMEs are still looking overseas for growth, even in uncertain times.
 - a. There is a 50% increase in SMEs looking at overseas expansion as part of their growth strategy (20% in 2010 to 29% in 2011). This is a clear signal of their plans moving forward.
 - b. Of those who currently have overseas activities, three out of four are likely to continue with their overseas expansion despite the challenging circumstances they now face.

3. This indicates that Singapore SMEs continue to be globally-oriented, even in challenging times. As businesses around the world cope with the economic volatility, those that can turn uncertainty into opportunity have the potential to become globally competitive.

Going international in times of uncertainty

4. Going overseas is critical for long-term growth and survival especially as the global economy braces for tough times ahead. There are two key reasons:

- a. Firstly, Singapore's domestic market is too small. This makes it necessary for companies to go beyond our shores.
 - b. Secondly, businesses need to hedge and adjust to a global economy that is increasingly volatile. Expanding overseas should be part of their risk mitigation strategy as diversifying cash flows will protect companies against disruptions in the individual markets.
5. When going overseas, SMEs need to align their expansion to markets with long-term growth fundamentals. From the survey, top five markets that SMEs are expanding into are all in Asia, namely, Malaysia, China, Indonesia, Thailand and Vietnam. Four out of the five are right at our doorstep in Southeast Asia – all within a four-hour flight radius.

Tapping Southeast Asia as an anchor market

6. Southeast Asia has the key elements to sustain long-term growth.
- a. It has a population of over half a billion people combined. If Southeast Asia were a country, it would be the third most populous in the world, after China and India.
 - b. It has a combined GDP of US\$1.1 trillion, and US\$1.6 trillion in total trade. As a bloc, this puts Southeast Asia amongst the top ten economies in the world.
 - c. Its combined purchasing power is also the fifth largest in the world, ahead of Russia and Brazil.
7. Southeast Asia is also a complete market of producers, distributors and even consumers. Key developments in this market will create partnership opportunities for Singapore companies.
- a. It has a rising middle-income class that will drive domestic consumption, very much like what we are seeing in China.
 - b. It is undergoing industrialisation and urbanisation, creating the need for infrastructure development.
 - c. It possesses many natural resources such as power, timber, rice and cocoa, among many others. This creates opportunities for trade, and even food processing in the agriculture sector.
8. Singapore SMEs are in a strong position today to tap into the business opportunities in this region. Singapore has established a strong network of physical and business

connectivity, which makes it easier than ever to do business in Southeast Asia while based right here.

9. IE Singapore dedicates a significant amount of support to helping Singapore companies take their next step in Southeast Asia. We have five overseas centres spread across Indonesia, Malaysia, Thailand and Vietnam. We will work closely with companies, provide market knowledge and customised assistance to help SMEs expand, and help them become globally competitive.

10. Companies need not duck for cover in such times. Uncertainty can be turned into opportunity for promising companies, regardless of their size. We will work with them to align their business strategies to the growing markets, and together, build the foundation for their growth into globally competitive companies.

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About International Enterprise Singapore

International Enterprise (IE) Singapore is the government agency driving Singapore's external economy. We spearhead the overseas growth of Singapore-based enterprises and promote international trade.

We partner Singapore-based companies in their international expansion through our "3C" framework of assistance (Connections, Competency and Capital), and through our global network in over 35 locations spanning many emerging markets.

We also anchor global trading companies in Singapore and position the country as base to expand into the region in partnership with Singapore-based companies.

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