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STATEMENT BY THE MINISTER FOR COMMERCE AND INDUSTRY
MR. J.M. JUMABHOY, IN THE LEGISLATIVE ASSEMBLY ON
AUGUST 13, 1958

Government has been very much concerned with the fact that the present structure of our economy based largely on our entrepot trading activities would not seem to have the capacity to give employment to our increasing population in the years ahead. Government has therefore emphasised all along the need to create and develop secondary industries which could not only provide employment to at least a part of our increasing population but also be instrumental in cutting down to some extent our imports for home consumption purposes. Government has therefore recognised the necessary role that capital, both local and outside can play in achieving industrial development.

With a view therefore to encouraging outside capital for industrial development certain assurances were given by me to outside capital in a statement I made to this House on the 7th November, 1956. Financial assistance is being given to local capital through the Industrial Promotion Board and legislation to provide for income tax exemptions to new or additional industries considered to be of economic benefit to Singapore is now in the course of preparation as an inducement to both local and outside capital. Although there has been some response from outside and local capital, Government notes with regret that its efforts to meet the unemployment threat by encouragement of investment in industries are being frustrated by irresponsible politicians who do not care what harm they do to the people of Singapore. Government therefore considers that the time has now come for more positive action.

It is now approximately two years since I gave an indication that some measure of protection might have to be considered for our industries, but only as a last resort. After careful consideration Government has come to the conclusion that the principle of protection must be recognised for our industries and Government will therefore commence taking immediately all such steps as are necessary for this policy to be implemented. Government recognises that entrepot trade will always continue to play a major part in our economy and is therefore determined that the operation of protection should be carried out with the minimum possible damage to, or dislocation of, the entrepot trade. I wish to make it very clear therefore that the operation of protection is envisaged on a strictly selective basis: that is, only where the benefit accruing to Singapore through the industry concerned outweighs any possible harm to the entrepot trade. Under no circumstances will the operation of protection be allowed to interfere in any way with the entrepot trade in produce, processed produce and textiles or raw materials.

Government will also have to be satisfied that any protection granted will not be abused and that the undertaking concerned is operating or is expected to operate in an efficient manner and that protection would not result in the continued marketing of goods of inferior quality at excessive prices by comparison with the standards and prices of similar imported goods. The incidence and degree of protection will have to be related to the capacity of the local industry to meet the requirements of the local market.

Outside manufacturers wishing to manufacture their products here will, as a general rule, be required to come to an

arrangement with a local manufacturer or intending local manufacturer, if any, of the same product, or failing which with interested Singapore citizens. Such arrangement should either be on a partnership basis with at least 49% of the shares being held by the local interest or on the basis of the local interest manufacturing under licence of the outside manufacturer. If after a reasonable time there is lack of response from local interests or if such arrangements cannot be made for reasons proved to the satisfaction of the Minister for Commerce and Industry, the outside manufacturer will be given permission to set up his own undertaking.

Outside manufacturers are invited to apply to the Ministry of Commerce and Industry if they desire to manufacture their products in Singapore and the Ministry will give them every assistance to make the necessary local contacts and to carry out negotiations with a view to entering into the arrangements mentioned above.

This restriction on outside manufacturers is necessary in order to encourage and safeguard local industrial investment. However, a certain amount of flexibility will be employed in the application of this general policy according to the circumstances of each case.

In order that Government may have the necessary powers, I am introducing a Bill this morning making it necessary for manufacturers to obtain a licence from me before they can engage in any manufacture in Singapore.

Further measures to implement vigorously Government's policy to encourage industrial development are under examination.

AUGUST 13, 1958.

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