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Subject: (Embargoed)) Speech (Amended) by Associate Prof Koo Tsai Kee, 11 Aug 99, 10.55 am

Singapore Government

PRESS RELEASE

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(Amended) SPEECH BY ASSOC. PROF. KOO TSAI KEE, SENIOR PARLIAMENTARY SECRETARY,
MINISTRY OF NATIONAL DEVELOPMENT AND MP FOR TANJONG PAGAR GRC AT THE PRIMA NATIONAL
DAY OBSERVANCE CEREMONY ON WEDNESDAY, 11 AUG 99 AT 10:55 AM.

Mr. Primus Cheng

Chairman and CEO of Prima Limited

Mr Tan Cheng Yen

GS of the FBIWU and Chairman of the FBIWU (Prima Branch)

Ladies and Gentlemen

1 Good morning. This is the 34th birthday of the Republic of Singapore and I am proud to say that all of us have played a part – big or small – in the shaping of modern Singapore. Prima Ltd has been one of the key players in the Food and Beverage Industry. It is one of the many companies which has underpinned Singapore's success.

2 One year ago our economy faced imminent recession. The regional crisis threatened to engulf us. Workers in Prima rallied behind the NTUC's call for wage restraint and a CPF cut. This is not an easy task to achieve. But we did it together and the result speak for itself. Because of our strong fundamentals, the lower cost translated into positive results quickly. Today, our economy appears headed for a recovery. Although the full year's economic results are not out yet, it is reasonable to expect that growth this year would be much better than last year's. But remember that this year's forecast of 4 to 5% growth is premised on last year's low base.

3 Still, it would be unreasonable for companies which have done well this year to deny a reasonable wage increment and bonus for their workers. I am thus very pleased to learn that Prima will be paying an additional bonus of up to one month at the end of the year on top of its customary variable bonus. Thank you Prima.

4 There is also pressure on Government to restore the CPF cut. I think that this is a reasonable request provided we can be sure that the recovery is full and complete. But even if Government decides to restore the CPF, I think we should do so partially and top up our Special Account first before the Ordinary Account. We have to quickly build up our Special Accounts.

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5 Many people think we have achieved a V-shaped recovery. But the jury is still out. Some think it is also possible that a W-shaped recovery is in the works. This means that the financial market may have to dive again before staging a full and final recovery. The latter school reasons that when Wall Street corrects, the negative wealth effect will reduce worldwide demand. This would shrink our export base and drag our economy down. This scenario is no science fiction. Serious investors like Warren Buffet and economists like Paul Krugman have warned the world of its possibility. So far, all predictions of a fall in Wall Street have failed. But no bubbles last forever except in dreams. I hope that when Wall Street corrects, our economy will not be too badly affected.

6 Even if Wall Street does not correct, we have to be careful that wage pressure does not erode our competitive advantage. Mr Cheng has warned that flourmilling operations in Singapore will be difficult. He is right. The cost structure in the region is much cheaper. But that does not always mean that their products on the shelves in the supermarkets around the world are equally cheaper.

ktk19990811b

They have problems which we do not have --- thanks to our tripartite system of co-operation.

7 Singapore has many advantages which can off-set the higher manufacturing cost. So long as we work together as a team, and raise productivity, manufacturing in Singapore will never disappear. We must not allow it to disappear. So far, we have succeeded. Management like Prima and workers in FBIWU have shown us one way to succeed.

8 Thank you Prima. Thank you FBIWU workers. Happy Birthday Singapore.

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