

ADDRESS BY MR. LEE KUAN YEW, PRIME MINISTER
OF SINGAPORE, AT A RECEPTION BY THE UNION BANK
OF SWITZERLAND, ZURICH, THURSDAY,
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Gentlemen,

Dr. Schaefer has suggested that I should talk about Singapore, the state of our economic development, and the scope for economic collaboration between Switzerland and Singapore.

Perhaps I can best illustrate our changing economic position by the role we play in your watch export trade. Singapore ranks as the third most important Asian market for the Swiss watch industry, next to Hong Kong and Japan. But the Swiss have chosen Singapore as their first site in Asia for a watch accessories factory. It is already in operation. The Swiss watch industry has also established a technical and service centre in Singapore for Southeast Asia.

However, the Swiss share of the watch market has been declining. In 1966, it was nearly 70% of horological products imported into Singapore. By 1970, it went down to 51%. On the other hand, the Japanese share rose from

23% in 1966 to 38% in 1970, or US\$11 million. In terms of quantity, the rise in Japanese sales is even more, because the price of Japanese watches is generally lower. These developments in the watch trade apply also to many other traditional European exports, cars, radios, cassette recorders, T.V. sets, cameras, refrigerators, and other consumer durables.

Meanwhile, especially in the last six years, our traditional role as a collection centre for regional raw materials, and a distribution centre for Western and Japanese manufactured products, has changed in emphasis. We are becoming more a centre for assembly and manufacturing. An improving and more developed banking, insurance, shipping, airlines, and telecommunications services, support this new role. We have also deliberately encouraged the development of Singapore as a financial centre. We have provided the home for the Asian dollar market. We also have an active gold market.

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The international banking community in Singapore has expanded by the establishment of many new branch offices and representative offices of banks from America and Europe, including the Moscow Narodny Bank, incorporated in London. They include the Union Bank of Switzerland, the Swiss Bank Corporation and the Swiss Credit Bank. Singapore sets out to be to Southeast Asia, what Switzerland is to Europe, a money and gold market.

We are small country with a population of 2.1 million. We have little in natural resources. We have no choice but to organise ourselves in an orderly way, and work hard to make a living in the highly competitive international market. Our people have learned the importance of maintaining political stability and a climate of confidence. They know that their standard of living depends on their educational standards and their productivity. They know that any upset in international trade through the unsettled currency parities and the 10% American import surcharge will affect them, since about 31% of Singapore's G.N.P. is generated through external trade.

Singapore is surrounded by the sea, situated in the centre of the archipelago in Southeast Asia, linking east and west. Singapore, in terms of shipping using it, is the fourth busiest port in the world. It is the largest petroleum-refining, shipbuilding and repairing centre, between Europe and Japan. Hence Singapore provides the supporting services for oil exploration and production in the region.

Singapore is linked with continental Asia via a causeway. We can always get more workers by drawing upon a pool of keen and easily trainable young workers from surrounding countries, where wages are lower and unemployment

high. These workers are not foreign to us. Many of them have relatives in Singapore. The workers we take in on work permits are those who are hardy and readily assimilable, because they are of the same stock.

Perhaps our most important asset is the confidence of management and workers in each other's reasonableness. The government enjoys general electoral support, having been in office for 12½ years. And there is close identification of views between the government and the unions. In the past five years, Singapore's G.N.P. increased at an annual average rate of 13% at constant prices. At the same time, we have managed to keep the cost of living of the workers down to a 1.2% inflation rate per year for the past decade. This is partly because of the reduction in prices of rice and other necessities, and the constant cost of rents for public housing.

Internationally known companies like General Electric and North American Rockwell of the U.S.A., Rollei-Werke and Siemens of Germany, Beecham's of Great Britain, Phillips of Holland, Hitachi and I.H.I. of Japan, and Wild Heerbrugg and Bourquard of Switzerland are represented in Singapore.

The objectives of these companies in using Singapore as a manufacturing and servicing base are:-

- To manufacture parts and components at competitive cost for supplying parent companies in home countries and subsidiaries in various parts of the world, so strengthening the competitive position in both the home and international markets;
- To produce finished products at lower cost for the international market; and
- To manufacture capital equipment, intermediate products and chemicals at competitive prices for Southeast Asia, the Middle East and East Africa.

Then there is the growing market in Southeast Asia itself, with a population of over 250 million. Next, the Japanese must liberalise their trade if they are not to be faced with successive pressures for the revaluation of the Yen.

Companies operating in Singapore look forward to exporting to Japan, as they liberalise their trade, especially with Southeast Asian countries. However, the China market can only be in sophisticated factory equipment, and not consumer durables.

Swiss manufacturers of machinery, precision and optical instruments, fine chemicals and pharmaceuticals can find Singapore a stable off-shore base for their manufacture. Rather than import foreign workers, the Swiss may consider exporting their factories to places like Singapore, where political conditions are stable, workers are disciplined and hard-working, and the economic infrastructure more than adequate.

We are also changing the emphasis from physical services to brain services. There is a growing demand for engineering design, fabrication, installation and other technical services.

Two of the oldest Swiss companies in Singapore are Zuellig, in animal-feed manufacturing, and Diethelm, specialising in modern furniture and aluminium products. The two newest companies are the Bourquard group, who started two years ago with a watch accessory factory, and Wild Heerbrugg for manufacturing survey instruments. This reflects the shift to more sophisticated manufacture.

Provided there is no world recession as a result of the present monetary problems, I believe the economic links between Switzerland and Singapore will grow to our mutual advantage.