

PRESS RELEASE

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**ADDRESS BY MR GOH CHEE WEE,
MINISTER OF STATE (TRADE & INDUSTRY),
AT THE BUSINESS OPPORTUNITIES SEMINAR
ON TAMIL NADU CHENNAI, INDIA
24 JANUARY 1997 AT 2.30 PM**

Introduction

I am very pleased to be invited to speak to you today. My delegation and I would also like to take this opportunity to thank Mr Karunanidhi and the Government of Tamil Nadu for the kind and gracious hospitality that has been extended to us since our arrival.

India's Reforms

Since the early 1990's, India's economic reform policies have produced remarkable results. The Indian economy has expanded at an average annual growth of more than six per cent over the past five years. More importantly, the creation of a pro-business, investment-friendly environment has led to a significant inflow of foreign direct investment.

After the general elections of April '96, there was widespread apprehension that the United Front coalition government would reverse the liberalization measures introduced by the previous administration. Happily, this is no longer an issue. Reforms enjoy near-universal consent; and formerly

controversial issues, such as direct investment by foreign multinationals, are no longer contentious. Indeed, there is enthusiasm for more investments.

The staunch commitment of the various state governments, including the Government of Tamil Nadu, to the economic liberalization process has been particularly comforting to foreign businessmen. This is evident from the significant number of visits made by various Indian Chief Ministers to Singapore and other countries over the past year. Their pro-foreign investment stance has certainly done much to dispel the doomsday scenarios that were circulating just after the elections. To support these observations, the World Bank recently reported that India's foreign investment regime is as investor-friendly as most other East Asian countries. The report noted that in certain areas such as telecommunications, power and mining, it might even be more open than many of its East Asian neighbours.¹

However, despite the rapid progress that has already been achieved, a lot of work still needs to be done if India is to compete even more effectively for investment funds. Competition is not just coming from newly emerging economies, but also from the developed countries which aggressively court investments and jobs. To stand out, India needs to boost its reform programme in order to make the environment more conducive to the rapid expansion of domestic and foreign investment. In particular, foreign investors would be delighted to see more transparency and further simplification and predictability of investment rules.

It will also be necessary for India to alleviate its infrastructure shortcomings quickly. Infrastructure bottlenecks such as power shortages and

¹ India Business Intelligence, No. 68, 18 Sep 96

inadequate communications and telecommunications facilities have already begun to hinder economic growth in many states. Only with improvements in infrastructure will the expansion of India's industrial and services capabilities follow. Since foreign capital will have to provide the bulk of the estimated US\$300 billion needed to upgrade India's infrastructure, the need to streamline the investment regime becomes even more apparent and urgent. In this respect, the central government's recent announcement of a new list of nine industries - including key ones such as road construction, power generation, mining and warehouse services - where foreign equity participation of up to 74% will have automatic approval is very laudable.² By reducing the time taken for project approval and implementation, the Government is definitely taking a step in the right direction.

Infrastructure development is one area where our two countries can step up bilateral cooperation. As you are probably aware, Singapore is a major logistics hub and we have managed to build up a vast array of infrastructure development expertise over the years. I am happy to note that many infrastructure developers from Singapore have already established a presence in India. They are actively tendering for power projects here and some of our companies have set up distribution parks in Mumbai and Chennai in collaboration with Indian partners. The Port of Singapore Authority is also very keen to assist the Tamil Nadu government in its plans to upgrade port facilities in Chennai.

Expanding the Tamil Nadu - Singapore Partnership

Over the years, Singapore has forged intimate trading and investment links with Tamil Nadu, which is the strategic gateway to South India. The

² The Indian Financial Express, 1 Jan 97

cultural affinities between the Tamil Nadu population and the Indian community in Singapore have also contributed significantly to rapidly strengthening economic ties. Besides the burgeoning trade volume, Singapore companies have also invested in warehousing and distribution, telecommunications and industrial townships in Tamil Nadu. The decisions of major multi-national corporations (MNCs) such as Ford, Hyundai, BMW and Dupont to locate their manufacturing facilities here have further increased the bullishness of the Tamil Nadu economy. Doubtlessly, these investments will play a catalytic role in encouraging the influx of foreign capital into the state.

Despite the obvious progress in economic relations, there is scope for further cooperation between Singapore and Tamil Nadu. For instance, Singapore can assist Indian companies here to gain access to the booming East Asian markets. With economic liberalization, your companies will naturally be motivated to expand their overseas activities. By taking advantage of our knowledge of regional regulatory and market conditions, Indian companies can utilize Singapore as the gateway to enter East Asia. Our wealth of relationships includes strong government-to-government ties with most of the major economies in the region as well as a powerful network of business contacts. To ensure that their products reach a wider market, Indian companies could therefore consider tie-ups with Singapore firms that are familiar with the region. Approximately 60 Indian companies are now using Singapore as a regional springboard. We are optimistic that many more will join them in the near future.

Tamil Nadu companies can also reach out to East Asian buyers through participation in the many world-class fairs and exhibitions that are organized in Singapore each year. As the principal exhibition centre for Southeast Asia and beyond, participation in Singapore trade fairs and exhibitions

constitute one of the most cost-effective means for foreign companies to reach a wide regional audience in the shortest possible time.

We should also facilitate greater cooperation between our Small and Medium Enterprises (SMEs). SMEs generally do not have the resources to undertake large scale projects or lack the staying power on projects with long pay-back periods. But combining resources among SMEs may collectively overcome this resource constraint. The blend of India's abundant natural and manpower resources together with Singaporean companies' marketing and technical expertise would appear to be an excellent combination.

Besides trade, Singapore and Tamil Nadu companies could collaborate to develop Tamil Nadu's vast tourism potential as well. With its natural splendour and attractive historical artefacts like the Shore Temple at Mahabalipuram, Tamil Nadu possesses good touristic potential and could become one of the emerging destinations for international travellers with proper promotion and enhanced tourism infrastructure, facilities and accessibility. Tamil Nadu is also beginning to attract Singaporean investments in tourism, as seen in the recent announcement by a Singapore company to develop a hotel and themed restaurant in Chennai in collaboration with Indian partners.

Conclusion

For both economic and cultural reasons, Tamil Nadu's long term success, and in turn India's economic success, is very important to Singapore. We feel that a situation where India lags behind other emerging countries is undesirable both for herself and for the region as a whole. An India which is economically prosperous will not only contribute to regional political stability, it

would also offer Singapore and other regional countries an additional source of trade and investment opportunities. Therefore, Singapore would be pleased to see a dynamic and outward-looking Indian economy that will contribute to the overall prosperity of the region.

I am confident that this seminar will fulfil its role of promoting networking and joint business collaboration between Singapore and Tamil Nadu businessmen. I would further like to encourage the Indian business community to seriously consider the numerous commercial opportunities in East Asia, and tap the partnership options that Singapore can offer you.

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