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Singapore Government

PRESS RELEASE

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SPEECH BY MINISTER YEO CHEOW TONG,
AT THE YEW TEE NATIONAL DAY DINNER
AT THE LAM SOON CC, BLK 406 CHOA CHU KANG AVE 3
AT 8PM, 15 AUGUST 1998

Let me first welcome you to tonight's celebration of our 33rd National Day.

This year, we celebrate our Independence amidst the economic gloom affecting the entire region. The economic earthquake hit our region last year, and we are still experiencing serious aftershocks. The earthquake did not impact individual countries equally. Some countries have been devastated, while others have been less affected. In our case, our strong economic fundamentals have helped to cushion the impact of the crisis.

The region will take at least four or more years to recover from this economic crisis. Singaporeans must therefore be prepared for a few years of slow growth, with some sectors of the economy even suffering from negative growth. But

we must not be pessimistic. We should use this period to further strengthen our fundamentals. Then when the region recovers, our competitiveness will allow us to take advantage of the opportunities which appear.

What should Singaporeans do? We should take this opportunity to upgrade our skills. While the Sing\$ has depreciated against the US dollar, the British pound and some others, we have also appreciated against several other currencies, especially those in the region. Our wages are consequently much higher now than that of workers in the region. Our workers will therefore face even tougher competition. In this competitive environment, our workers can only protect their jobs, their income level and standard of living by being higher skilled and better trained. Our workers must therefore proactively prepare for the future, by upgrading their expertise and knowledge, and by continuing to work hard.

The economic turmoil will also force companies to re-structure their business. They will have to further automate and computerise their operations to improve productivity. They must streamline their operations, and foster greater creativity amongst their workers. Companies must be able to differentiate themselves from their competitors, and create their own market and product niches. This will include moving up the value-added chain.

Companies will be better able to rise to the challenge if every member in the company is equipped with the necessary skills, knowledge and expertise. This means that employers must take this opportunity to upgrade the skills of their workers. Training and skills upgrading must therefore be a joint effort between employers and employees.

At the regional level, efforts to overcome the economic crisis would be more effective if the countries can find ways to cooperate more with each other, and create regional synergy.

International companies are already doing this. They are merging into even larger groups, creating greater economies of scale in everything – product range, market share and coverage, research capability. In the past, companies tried to do everything in-house. Today, companies try to out-source as much as possible. And why not? Doing things in-house means having to invest in more facilities. It means having to manage everything, instead of focusing on what you can do best.

As an example, most PC manufacturers do not make their own disk drives. If

Seagate or Quantum can develop and build hard disks cheaper than you can make them, why not buy from them? Similarly, the major computer companies in the US are now outsourcing the assembly of their PCs to contract assemblers. And it is not unusual for the better contract assembler to build PCs for competing brands on the same assembly line. So one minute, the operator is building a Compaq PC, next, she could be assembling a HP PC.

Why is this happening? The answer is very simple. Globalisation. Companies now no longer compete in a small corner of their own country. They now compete across continents and globally. To succeed in the global economy, companies must be able to design, produce and bring their goods to the market faster, cheaper and yet offer better value to the customer.

That is why we keep reminding our industries to upgrade their operations here, and to re-locate the manufacture of simpler components or sub-assemblies to places which can perform those functions more competitively. Whether we like it or not, we are all part of the global economy. Many have responded, and have relocated to Malaysia because it makes good sense. It is easy for Singapore managers and owners to visit their Malaysian operations, and components and materials can be easily trucked to or from Malaysia.

To remain competitive, our companies also buy components and sub-assemblies from suppliers in Malaysia as well as from Indonesia, Thailand, and even from Japan and the USA, if they can supply them cheaper. Similarly, we supply components to manufacturers in Malaysia and elsewhere, because we are competitive in those products.

In these increasingly difficult times, governments should be facilitating the efforts of their companies to be even more competitive. Countries and their peoples prosper and progress only when they are able to make the best use of their comparative advantage. That means letting their companies do what they can do best, not forcing them to do things which add to their production and marketing costs. By leaving the key decisions -- who to buy from, which transport company and shipping firm to use, which port to ship the goods from, etc – by leaving these decisions to market forces and to the companies themselves, we enable them to compete more effectively and to prosper in the global market.

It is therefore important for the countries in the region to cooperate closely. This is even more relevant when it comes to Singapore and Malaysia. We share long-standing historical and cultural links. Many have relatives on the

other side of the causeway. Our economies are very inter-linked. We rank amongst the top of each other's trading partners. And Singapore is a useful source of investment and visitors.

We should therefore resist the temptation to become inward-looking, and see this as a zero-sum game. By being inward-looking, we end up shrinking the regional economic pie, instead of enlarging it. This economic turmoil will take some time and some pain to resolve. There is no easy solution. Let us therefore not complicate and worsen the situation, by engaging in counter-productive diatribes, and instead, look for more ways to cooperate for mutual benefit.

As I mentioned earlier, this economic turmoil will last some years. Singaporeans will need to tighten their belts, roll up their shirt-sleeves, and be prepared to weather it out. We must not allow ourselves to be distracted by others. Let us rally around our government as one united people. Let us focus on overcoming the economic crisis. Let us remain competitive, so that you and your children can continue to enjoy a high standard of living.

With that, let me end by wishing all of you, Happy National Day. Let us continue to work closely together for the safety and prosperity of our nation.