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Subject: (EMBARGOED) Speech by Dr Richard Hu, 21 Jan 2000, 7.30pm

# *Singapore Government*

## **PRESS RELEASE**

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### **SPEECH BY DR RICHARD HU, MINISTER FOR FINANCE, AT THE SINGAPORE 1000 INTO THE MILLENNIUM INCORPORATING THE SME 500 AWARDS DINNER AT THE GRAND BALLROOM, THE RITZ CARLTON SINGAPORE ON FRIDAY, 21 JAN 2000 AT 7.30 PM**

Distinguished Guests  
Ladies and Gentlemen  
Good Evening

I am very pleased to be here with you this evening at the Singapore 1000 and SME 500 awards dinner. This event recognises the productivity and economic performance of Singapore's top 1,000 companies and top 500 small and medium-sized enterprises (SMEs). I congratulate the organizers for their foresight in giving public recognition to these two key categories of enterprises at one event. It is a fitting way to mark the crossing over of these businesses into the new millennium.

### **Singapore's Productivity and Economic Performance**

2 The Singapore economy has achieved strong growth over the last 30 years. This success is the outcome of policies introduced by a strong political

leadership supported by an energetic and hard-working citizenry. As a result, Government has been able to introduce sound macro-economic and prudent fiscal policies. This has transformed Singapore from an entrepot trade economy to a global city state with total business capabilities. In a resource scarce Singapore, the strategy has been to create a meritocratic, open and outward oriented market economy, with emphasis on investing in people and productive infrastructure.

3 Over the last 18 years, Singapore's economic growth averaged 7.2%. Productivity increases contributed more than half of this growth. During this same period, income per capita has improved by almost four times to US\$22,800 in 1998. As Singapore moves towards a knowledge-based economy (KBE), productivity will continue to be a major driver of economic growth.

4 However, the new economic environment within which productivity must be managed will be very different from the one we are all used to. Firstly, innovation will be much more important to productivity growth. With an abundance of knowledge and a networked world economy, there are many opportunities to innovate. Countries, firms and individuals have easy, relatively cheap, almost instantaneous and round-the-clock access to new ideas and information on best practices. The adage “innovate or evaporate” becomes a harsh reality.

5 Secondly, as new technologies can be applied to a vast range of activities, innovation becomes all-encompassing. We are able not only to do new things, but also to do old things differently. The key is to be better than the best. Innovation can transform not just products, but also services in every economic sector. Innovation is not just confined to products and processes within an enterprise; it can also involve suppliers and customers.

6 Thirdly, with the worldwide flow of knowledge and capital, competition is intensified to unprecedented levels. All countries, regardless of the state of their economy, have to compete head-to-head for investments, production and export of goods and services. Both the big companies and the SMEs, which until now have been sheltered from the global marketplace, will face keener competition, both domestically and internationally.

### **Singapore Businesses as Preferred Partners**

7 To compete successfully, our companies will find it advantageous to form strategic alliances and leverage on the complementary strengths of their partners. There are numerous possibilities and options that our companies can explore. For example, partnerships and alliances can be formed among enterprises either within the same industry or in the same value chain. Such partnerships strengthen capabilities, improve economies of scale and reduce operational costs. Strategic alliances can also be formed with companies in the same business but operating in different locations or countries. Such overseas alliances enable partners to mutually tap the resources, know-how and network of contacts of their foreign counterparts for mutual gain and competitive advantage.

8 In line with Singapore's regionalisation thrust in recent years, we have been encouraging our enterprises to develop their own external wing and to seek out foreign partners. We have also actively promoted the idea that Singapore enterprises make good partners for foreign companies from Europe, US, Canada and South America that are interested to do business in Asia.

9 What makes Singapore businesses preferred partners? In a recent CEO focus group discussion conducted by a local market research company, some key attributes of preferred businesses were identified. These include Singapore's skilled workforce, good contract laws, and transparent business practices. Our challenge is to help Singapore companies strengthen these key attributes, including corporate governance, and promote them to potential business partners around the world.

10 Last month, the Productivity and Standards Board released a 10-year strategic plan aimed at building up the capabilities of the workforce and organisations to allow Singapore to achieve strong and sustained economic growth. Called Productivity Action Plan 21, or ProAct 21 in short, it spells out the outcomes, strategic thrusts and programmes to transform Singapore into a KBE.

11 Two weeks ago, PSB also unveiled a 10-year plan for the development of our SMEs, which are an important part of the economy. SME21 was developed collectively with representatives from SMEs, industry and trade associations, chambers of commerce and industry, financial institutions and government agencies. The plan recommends key strategies and programmes to realise the vision of creating vibrant and resilient SMEs

that will enhance Singapore's competitiveness and economic growth.

12 Tonight, I am pleased to launch yet another plan -- on-the-job training for the 21st century or OJT21. The objective of OJT21 is to strengthen structured on-the-job training as a key pillar in the training infrastructure by enhancing the quality of OJT programmes in companies. The target of OJT 21 is to skill 500,000 workers through structured on-the-job training programmes by the year 2005 – five times the target of the first OJT2000 plan released in October 1993. A budget of \$90 million has been allocated to facilitate the implementation of OJT21.

13 Structured OJT can bring about four main benefits to organisations and their workforce. First, faster response to market demands. Organisations that have a structured OJT system will be able to train staff more quickly and respond swiftly to constantly changing technology and new demands. They will be able to reduce their time-to-market.

14 Second, improved work processes. As organisational and task analyses are involved in the development of structured OJT, there will be better workflow and improved work processes as well as more effective staff deployment.

15 Third, better staff performance. As OJT is one-to-one training, it allows for individual difference in learning and helps strengthen the bond between staff and supervisor.

16 Fourth, more cost-effective training. OJT can reduce training costs by as much as 75%. Employees need not be released from their jobs for training. Training is part of work. As OJT focuses on specific work performance, staff is trained on what is directly relevant to the job.

### **Role of Government**

17 The role of the government is to continue to create a dynamic and supportive environment so that businesses, both large and small, can thrive. PSB and the relevant government agencies will work together to refine regulations, offer incentives and facilitate the growth and upgrading of enterprises. The private sector and professional bodies have an important role to play too. Our financial institutions, industry and trade associations, professional and employer groups, multinational corporations, government-

linked companies, and so on, can help to broaden and deepen capabilities, gain access to finance, technology and expertise, establish linkages and alliances, and reach out to new markets.

18        The extent to which we will be able to realise the vision of building up world-class companies and world-class industries depends very much on companies working hand-in-hand with the unions and the government. Together, we must and can make the difference.

### **Conclusion**

19        Having come through the economic crisis, we are confident that companies in Singapore have what it takes not only to weather the storm, but also to perform well. All of you present this evening are testimony to the resilience and vibrancy of our economy. I have no doubt that you will continue to do well and make your mark, not only locally, but also globally. I am happy to celebrate with you your success and wish you all even greater success in the coming year.

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