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Singapore Government

PRESS RELEASE

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SPEECH BY MR YEO CHEOW TONG, MINISTER OF COMMUNICATION AND INFORMATION TECHNOLOGY AT ASIA PACIFIC IT FORUM 2000, AT SUNTEC CITY, 24 JAN 2000, 8.45AM

Singapore: Competing in Infocommunications

Mr Kirk Campbell

1. I am very glad to be here this morning at the Asia Pacific IT Forum organised by the International Data Corporation. It is a pleasure to see so many key players gathered in Singapore to share their ideas and work in the IT and infocommunications industry. My warmest welcome to the international participants to have come to Singapore to attend this event.

2. Singapore believes that the new century will be the Internet century. We are excited by the potential it offers and we are determined to be a competitive player in infocommunications. This is the basic rationale for my announcement last Friday, to bring forward the introduction of full market competition in the telecommunications sector by 2 years, from 1 Apr 2002 to 1 Apr this year. I

would like to use this opportunity today to elaborate on the Singapore Government's rationale for this move, and our strategies going forward.

3. Our earlier liberalisation of market access in the telecommunications sector is in recognition of the dramatic changes in the global infocommunications landscape in the last few years. A few years ago, telecommunications was still essentially a domestic business. It was also a closed market in most countries. Domestic telecommunications services were commonly provided by state monopolies or protected domestic companies. WTO negotiations on liberalising market access to foreign competitors were making slow progress. Singapore believed that competition would benefit consumers in terms of new and innovative services. We corporatised, and then listed SingTel in 1993. At the same time, we recognised that our market was a small one. It was within this framework that the Government decided on a phased and progressive liberalisation of the telecommunications sector. The non-basic services were liberalised first, beginning with services-based competition and internet access service providers, and followed by the mobile industry.

4. However, these last few years have seen a total change in the landscape. I highlight 2 changes: first, telecommunications has become a global business; second, convergence across telecommunications, IT, media, entertainment and electronics industries has changed the business strategies of each totally. One of the implications of this is that global MNCs now conceive of their IT and communications needs in a very different way. They want end-to-end services, including the integration of their communications and the management of their corporate networks.

5. To serve these needs, telecommunications carriers have started to compete in the space occupied by systems integration companies and professional services firms. They have also followed their clients by going global to meet their need for end-to-end services. MNCs operating in Singapore have told us that their global headquarters would prefer to use global operators to service their full needs. We must either recognise and accommodate this development or lose our competitiveness in being a hub for knowledge businesses.

6. A second implication of globalisation and convergence is that many new businesses are emerging to meet new needs. There is a huge new business segment involved mainly in providing web infrastructure. These include data

server farms, application services providers and companies providing data delivery capabilities.

7. Singapore wants to be one of the largest infocommunications hub in Asia. For us to achieve this, we have to be an attractive location for all these businesses across the entire spectrum of the digital value chain. We aim to be a choice location in Asia for content creators, content aggregators, access providers or portals, communications infrastructure providers, software developers, systems integrators, and the supporting services like legal and financial services. We must be attractive to all, because we believe that the cluster effect is critical to growth. Each of these relies on a globally competitive telecommunications environment as the critical backbone for their businesses. This is why we must have an open and globally competitive telecommunications industry, with global players offering a wide range of innovative, high quality and cost-effective services.

8. If we are able to attract global investors in each of these components of the cluster, as well as grow our own local capabilities, then the market for communications services will be many, many times larger than it is today. In this context, the size of the domestic telecommunications market is not the relevant consideration. Just as Singapore's manufacturing industry does not focus their sales on the domestic market, neither will this be the mainstay of our communications industry.

9. The infocommunications business is global, and hence the market demand for communication will be for regional and international connectivity. Our experience in the last half-year is that connectivity to the Asian region is growing exponentially. Potential investors in each component of the digital value chain, be it a portal or a data delivery platform provider or a web server farm, all ask about international connectivity out of Singapore. They want assurances of its availability at a competitive price. The medium-term capacity they ask for is often a very large percentage of the operational capacity we now have. In other words, the market demand for capacity is huge. On our part, our existing communications providers have committed that they will have sufficient supply to meet demand. They will be able to grow their supply to meet the potential pace of growth in demand.

10. I therefore do not agree with the initial media and analyst assessments that our liberalisation of market access will hurt our incumbent telecommunications providers, SingTel and Starhub. If Singapore is able to

attract major global investors across the infocommunications industry as a result of this liberalisation, then the demand for communications infrastructure will grow substantially. The growth in volume of demand will then outweigh fall in prices.

11. As the incumbents with the comprehensive infrastructure already in place, SingTel and Starhub are extremely well-placed to compete for this growth business. SingTel has a proven track record and is a highly regarded player in Asia. It has been expanding its international operations and its capabilities in the converging businesses. Starhub has the benefit of strong alliance partners, with global connections. All of Singapore would of course like our locally-based players to become more competitive and develop into strong international players. We certainly look forward to SingTel and Starhub rising successfully to the challenge.

12. On the Government's part, our economic agencies intend to market Singapore aggressively to potential investors across the infocommunications industry, and to help grow our local players. In other words, we will not sit idly, twiddling our fingers and waiting for investors to come here. We will actively reach out to the portals, the web server farms, the content creators, packagers and aggregators, and the delivery platform companies, and encourage them to invest in Singapore. We will aggressively court companies with new services and new technology.

13. The Economic Development Board and the Infocommunication Development Authority, or IDA, will be jointly marketing Singapore to investors. Indeed, EDB and IDA officers met bright and early at 7.30 am on Sat morning, the morning immediately after my liberalisation announcement, to coordinate their plans to identify and reach out to potential investors. And IDA is certainly not wasting any time. Its marketing team left for the US on Sunday, armed with details of our liberalisation announcement. EDB and IDA will work with individual clients to facilitate their entry to Singapore. IDA will also beef up its marketing communications efforts to tell the Singapore story internationally. This will include using the Net to reach out and promote Singapore.

14. My Ministry and IDA are also working on other elements to make Singapore a strong competitor in the infocommunications and internet industries. We are presently working on a masterplan, called ICT21. The first component of this was of course the liberalisation of the telecommunications

sector, which was just announced. We intend to announce the other components over the next few months. Very briefly, they will include changes to the legal and policy environment that will help support the development of the industry, as well as various industry development initiatives. These initiatives will include assistance to promising local enterprises and SMEs, development of a strong broadband programme, and manpower development to ensure that our people have the skills to compete in this growth business.

15. In particular, we will be considering how best to facilitate the rapid development of e-commerce in Singapore. One example of the initiatives we have been working on is the decision to lift import controls over cryptography products, which was also announced last week. As you will know, most countries have had some restrictions over the sale, or use, or import of cryptography products. There are important reasons for doing so, including to facilitate law enforcement efforts. But we have recognised that secure transmission of information is important to the growth of e-commerce. As many of the advanced countries have liberalised their policies on this issue, we have done the same. This is part of Singapore's efforts to become a trusted hub for e-commerce.

16. Let me conclude by stressing that Singapore is actively gearing itself up for the Internet century. We do not profess to have all the answers -- and we cannot expect to, in this dynamic and rapidly changing business. I am therefore delighted that IDC is having this forum in Singapore, because we have much to learn from each other. I have no doubt that your discussions will give new insights to all participants. With that, let me end by wishing all of you a fruitful and enjoyable Forum.

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