



To:
cc: (bcc: Jeannie LEE/MTI/SINGOV)
Subject: Speech by Mr Tang Guan Seng, 7 Mar 2000, 9am

Singapore Government PRESS RELEASE

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**KEYNOTE ADDRESS BY MR TANG GUAN SENG, SENIOR
PARLIAMENTARY SECRETARY, MINISTRY OF TRADE AND INDUSTRY,
AT "SMES ROADMAP INTO THE NEW MILLENNIUM" ON 7 MARCH
2000, 9.00 AM, AT ISLAND BALLROOM, SHANGRI-LA**

Good Morning Ladies and Gentlemen.

1. Singapore's economy has improved significantly since the onset of the regional crisis in 1997. Singapore's GDP growth for last year was 5.4%, a significant improvement from 1998's of 0.4%. The outlook for Singapore is promising, as growth for 2000 is forecasted to be between 4.5% and 6.5%. Our SMEs can certainly look forward to better times ahead.

2. In today's world, we notice words like "globalisation", "knowledge-based economy", "liberalisation" and "internet" being thrown around each day. This reflects the frenzy that is around us. From wireless applications protocol in the telecoms sector to e-commerce, new advances in technology come at a breathtaking pace. What do all these changes and challenges mean for our SMEs?

The New World and our SMEs

3. Take a traditional book retailer for example. In some sense, he has always been competing with the bigger boys like Times, MPH and Popular. He has had to carve out a niche for himself by focusing on a segment of the market, which could be the neighbourhood where his shop is located, convenient for his customers to stop by to browse and purchase a book.

4. The Internet changes that. With e-shopping, his customers can order books online and get them delivered to their door, without having to leave the house. E-shopping creates a more transparent pricing environment by informing customers immediately of the cheapest retailer for any given book. To make things worse, people may just use the traditional bookshop to browse but return to their PC to hit "Buy" on the website of an online retailer who can offer better prices because of lower overheads.

5. IT and telecoms advances drive globalisation and destroy geographic segmentation in the world economy. Our book retailer will add to his list of competitors US-based players like Amazon.com and Barnes & Noble, who are just as accessible with a PC, credit card and a cable or line. These online retailers are also able to capture customers by offering a wider range of books than the traditional book retailer.

6. The Internet has truly intensified competition with its borderless nature. Even SMEs in the domestic service sectors are no longer insulated from competition abroad. Globalisation and the Internet are new and powerful forces. Although we may not feel their full effects yet, the challenges are very real and they will arrive. We are at that stage when all the warning signs indicate that the "typhoon" is close. We should take this opportunity to prepare well before it comes.

Meeting Challenges

7. The numerous initiatives outlined in SME 21 are some tools that will help SMEs meet these challenges ahead. SME 21, launched this January by the Productivity and Standards Board, aims at enhancing SMEs' competitiveness in the knowledge-based economy. It addresses SMEs' capabilities in business processes, human resource development, product and technology development, financing and market penetration. Feedback from SMEs at the SME 21 Conference indicate that the top three programmes were the SME Mentoring Programme, Business Excellence Framework and Strategic Business Planning. These not only help solve current issues but also build up the future competitiveness of our SMEs.

8. While comprehensive, SME 21 is only a means through which SMEs can achieve success. SME 21 equips our SMEs with tools to compete in this new economy, but our SMEs must put in the effort themselves to leverage on these programmes. In the new economy, the two most critical factors for success are technology and people. These are also the areas that our SMEs are weaker in. SMEs must address these two issues in order to enhance their competitiveness.

Technology

9. The rush of technological advances may be threatening, but they also offer new opportunities for our SMEs. E-commerce, for example, allows SMEs to overcome their disadvantages of size and limited resources, but many have not taken advantage of the opportunities that e-commerce presents. Through the Internet, they have access to the global market like they have never had before. Business to business e-commerce also enable them to source for supplies online and pool together with other SMEs to lower costs through bulk purchases. PSB has zealously promoted the use of e-commerce and various other technology tools to upgrade SMEs' capabilities and competitiveness. I urge you to take up their programmes and try them out.

People

10. Our SMEs must also be able to recruit and nurture good people to achieve success. In this age where knowledge and skills are so important, the success of an organisation hinges a lot on the quality of workers it recruits. We have always emphasised the importance of skills upgrading amongst SME workers, but we must not neglect training for the managers as well. Let me elaborate more on this point.

11. Our SME managers must be more creative, more open to risk-taking and more enterprising. They must be able to adopt fresh business models to gain an edge over competitors, as today's competition is not between products but between business models.

12. For instance, in Japan, the new entrants in the retail scene have chosen to position their business rather unusually. A flurry of discount stores has captivated many Japanese. These stores open late, offer bargain prices and create a fun experience for the shopper. In a country well known for order and conformity, these shops are upstarts, with their no-frills merchandise and chaotic setup. It does not matter whether they are selling cosmetics, sporting goods, snacks or appliances, it is this combination of low prices and fun that appeal and keep the customers coming. Our SME managers must adopt a new mindset and develop unique and fresh ideas to manage their enterprises more effectively.

13. I am glad that the Chinese Chamber of Commerce and Industry has partnered with PSB to launch the Surrogate Training Manager Scheme, a positive move in the right direction. This programme equips managers with the necessary tools and skills to upgrade their business practices to achieve business excellence. Spending the effort to nurture managerial talent will generate much returns over the long term.

The Road Ahead

14. It is encouraging to note that SMEs are gradually more aware of the two salient issues - technology and people. To achieve the goal of building vibrant and resilient SMEs as outlined in SME 21, the government and the private sector must work together. To reach out to more SMEs, I am glad to note that PSB and SCCCI will be jointly publishing the Mandarin version of SME 21, which will be released sometime in May 2000.

15. On the task of developing SMEs, the government will continue to be a business facilitator and catalyst, in charting the roadmap for the future. We will develop and refine infrastructure and programmes that encourage SMEs to thrive. I invite our SMEs to actually walk that roadmap and synergise with the government's efforts to bring them to the next level of competition.

15. On this note, I wish you a fruitful Conference.

Thank You.