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SPEECH BY THE MINISTER FOR FINANCE, MR. HON SUI SEN,
AT THE OFFICIAL OPENING OF THE CONSUL-General's CONFERENCE
ON "THE ROLE OF SMALL INDUSTRIES IN THE ASEAN NATIONAL
ECONOMIES" AT THE ISLAND BALLROOM, SHANGRI-LA HOTEL ON
MONDAY, NOVEMBER 20, 1978, AT 9.30 A.M.

I am happy to be given this opportunity to both open this important conference on small industries in Asean as well as speak to you of our own policies and experience with small industries in Singapore.

The fact that this conference, organised on a private basis, has secured so many speakers of a ministerial level and enjoys the participation of such a large number of private sector managers and entrepreneurs as well as government officials underlines the importance of small industry to the five Asean countries. In the course of the week you will, no doubt, have the opportunity of hearing first-hand from those responsible for economic development in Asean the contribution small industries make in each Asean economy and the roles they are expected to play in each country's development plans. It is therefore only necessary for me to briefly touch on their common importance.

The first importance of small industries to Asean economic development, in my opinion, is their employment creation potential. This is especially so since Asean as a region has a very large population, relatively high unemployment and natural resource endowments which require capital rather than labour-intensive technologies in their exploitation.

Secondly, since in all countries in Asean levels of development are unequal from one part to another, a dispersal of development by the establishment of many small industries rather than the concentration of infrastructure and large scale industry in one or two urban centres offers obvious economic, social and even political advantages.

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Thirdly, as almost all developing countries suffer from a scarcity of capital and Asean is no exception, the planning and establishment of many small industries in stages not only eases the financial burden of investment in a handful of large scale multi-million or even multi-billion dollar projects but also ensures a more optimal spread of the fruits of such investment.

Fourthly, Asean countries have a wealth in traditional handicraft skills and its handicraft products are highly desired by the developed world. These endowments, if effectively organised into efficient small industries, will not only bring about substantial export earnings but also help to develop national talent and creativeness.

Fifthly, in the predominantly agricultural economies of the four Asean countries, except Singapore, the mobility of labour employed in small scale industry to the agricultural sector and vice versa, especially in times of adverse international economic circumstances, surely offer economic planners a desirable option.

Whilst these factors may be some of the positive ones in favour of a strategy which emphasises the establishment of small industries in an industrial development plan, needless to say, there are negative ones as well. Some of these will be their inability to be competitive in international export markets, their tendency to operate at a lower level of technology and their less than optimal utilisation of capital. Whether each Asean country has, on balance, adopted a policy preference for the small industry strategy, as in the case of India, you will, no doubt, learn as the conference progresses. However, I think I can safely say that, with the high degree of economic pragmatism present in Asean, each country would pursue development policies which would not over-emphasise either approach. After all, it would not at all be incongruous to have a top-tier of large scale, capital-intensive, high technology industries and also a large number of small industries utilising, perhaps, different technologies but giving employment to the largest number of people in the quickest possible time.

Singapore's own industrial development policy, because of its unique economic and social circumstances, has emphasised the promotion of large and small industries in different periods of development. When industrialisation began in 1961, we had a close to 10 per cent

unemployment rate and needed to create industrial jobs as quickly as possible. This, of course, is not too different an economic imperative to that which our Asean neighbours face today. However, because of the small size of Singapore's domestic market, industries had to be close to 100 per cent export orientated from the very day they go into production. These two conditions left us with little alternative but to attract the large scale multi-national companies which would not only quickly provide maximum employment but also the largest international markets for our manufactured goods.

Notwithstanding our well-known success with the multi-national companies and to a certain extent because of it, small industries in Singapore flourished.

Today, small industries by this conference's definition, number 2,304 companies, employ a workforce of 81,000 and generate an output of \$4.4 billion and value added of \$1.3 billion. They represent 92 per cent of all industrial establishments, 39 per cent of Singapore's total industrial workforce, 29 per cent of total output and 32 per cent of total value added. Relative to the rapid growth of the large multi-national companies in Singapore, the growth of small industries may pale by comparison, we are, however, not disappointed. For the first nine months of this year alone, 31 small industry projects, all locally owned, have been proposed and committed. There is no lack of entrepreneurship in Singapore, but our role is to direct and encourage such entrepreneurship into the desired development avenues. These are in the manufacturing and service sectors, especially those activities which employ specialised technology and make unique products. Very often projects fulfilling these criteria come from small industries.

To provide special encouragement to our entrepreneurs to move in this direction, we have over a period of time introduced the following package of incentives:

Marketing

Our policy of parallel development of large scale multi-national enterprises and small industries provides the latter with a captive market right in Singapore for a variety of components and services. For those small industries which produce finished products intra-Asean and international fairs are organised and financially supported to assist them in developing export markets.

Finance

Recognising the limitations small industries will face in their financial requirements, the Economic Development Board operates a Small Industries Finance Scheme which has hitherto provided funds for 82 small industries since the establishment of the scheme two years ago.

Technical Assistance

Technical know-how has been generally acknowledged as one of the major problems of small industries all over the world. To assist small industries in this area, our Institute of Standards and Industrial Research (SISIR) and National Productivity Board provide a variety of technical consultancy and trouble-shooting services in product design, plant management, quality control, etc., whilst the Economic Development Board, through both its headquarters in Singapore and 11 overseas offices, provides and arranges contacts for know-how licensing and negotiations. To specially encourage small industries in Singapore to innovate, the Economic Development Board matches their expenditure in product design and development dollar for dollar.

Manpower Training

Special consideration is given to the skilled manpower needs of small industries. Those which qualify are allocated trained workers from the Economic Development Board's joint-venture training schools with MNC's. If these industries have the capability to mount their own training programmes, the government will extend grants on a 'per worker trained' basis.

Our official participants in this conference will be most happy to elaborate on these incentives and evaluate their effectiveness in promoting small industries in Singapore. We hope to contribute our little knowledge and experience as well as learn from participants of other Asean countries, through the conference, of theirs. This interchange, I am sure, can lead to a better understanding of the prospects and potential as well as the problems of small industries in the region whose growth we are committed to foster as an important element in our respective development programmes. I wish the conference every success.
