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SPEECH BY THE MINISTER FOR FINANCE, DR. GOH KENG SWEE, AT THE OPENING CEREMONY OF THE ADVANCED MANAGEMENT SEMINAR

I am very pleased to have this opportunity of addressing you before you begin deliberations.

The purpose of this Seminar is to enable you to familiarise yourselves with pre-investment procedures. In the following three and a half days of deliberations I hope you will not only feel free to exchange views and experience but that you will also be able to come to grips with the subject matter. For my talk I will confine myself to broader issues which underlie many of the problems encountered at the pre-investment stage.

I propose to examine the circumstances which industrialists have to face in under-developed countries in Southeast Asia, and then proceed to examine in similar terms the circumstances in Malaysia and Singapore. An examination of circumstances in under-developed countries in Southeast Asia, however, is more conveniently carried out by way of a comparison. For this purpose the comparison should be between the under-developed countries in Southeast Asia and developed countries at a corresponding stage of development.

The next question that has to be settled is, of course, what should we compare? Naturally, we have to compare those factors which are relevant to the investor irrespective of time. These, I think, should include markets, labour supply, political stability and technology.

There is one fundamental difference which has to be discussed first so that the comparative study of the factors can be carried out in proper perspective. The difference is this. The industrialisation in the West which started with the Industrial Revolution in the 18th and 19th Centuries, featured the mass production, for the first time, of coal, iron, textiles and so on. This brand of industrialisation may, for convenience, be called primary industrialisation. We cannot begin our industrialisation in this way, nor is it necessary for us to do so. An Asian mathematician, for instance, does not have to re-discover afresh Newton's laws of motion. The accumulated knowledge of the past is available to him. So too with the Asian industrialist. Thus, at the initial stage we would be endeavouring to industrialise mainly by setting up within our country industries already established elsewhere. In other words, we can produce commodities which have been produced and are still being produced by developed countries. Ours may therefore be referred to as imitative industrialisation as against primary industrialisation. Of course, at a later stage it will be necessary for us increasingly to introduce innovations ourselves. But for all practical purposes, imitative industrialisation can be deemed to be the first step in Southeast Asian countries.

Let us now consider the first of the factors. I referred to earlier, namely markets. The Western industrial countries including the United Kingdom, France, the United States, and Germany, and others began their industrialisation with fairly large domestic markets. For the imperialistic powers there were in addition overseas markets of their colonies to exploit. These were generally free markets to the respective metropolitan powers and tariff walls could be set up by the metropolitan powers around their possessions so as to keep their rivals out.

The circumstances facing the industrialists in Southeast Asia today are very different. The local market is cluttered up with foreign brands and since it is the imitative type of industrialisation which is practical for these countries at the beginning, the industrialist must accept the fact that he has to compete for a share of the home market. As for overseas markets the industrialist often encounters high tariff walls. Thus the industrialists of Southeast Asian countries have to start off as very competitive producers or they just cannot survive.

In respect of the second factor labour, it is common knowledge that in the days of the Industrial Revolution there was a widespread use of female and child labour. Men, women and children alike had to toil for long hours under unhealthy and even dangerous conditions. There was hardly any means of collective bargaining for trade unions were regarded by the ruling class as subversive organisations and were ruthlessly suppressed. It was only after some considerable time that trade unions emerged as a bargaining weapon of the working class and this usually only after the achievement of universal adult suffrage.

In a number of under-developed countries the industrialist faces very different circumstances again. He has to observe minimum standards of working conditions and adequate levels of wages. This is, of course, as it should be. We must, however, recognise the additional load which this creates for the industrialist in a developing country as compared with his predecessors in the now developed countries.

There is, however, another aspect. Imitative industrialisation unlike primary industrialisation generally suffers from a lack of skilled workers and technicians. If an industry were to be successfully imitated so to speak, we presuppose that there are workers and technicians who either have the required skills or who are capable of acquiring these skills in a very short time. These workers must be comparable in efficiency to their counterparts in the developed countries if the imitated industry is to be competitive. This shortage of skilled labourers and technicians is a common problem facing the industrialist in many under-developed countries.

The next factor is political stability. Here, you will remember that at the time when the western European powers were industrialising, there was also intense political rivalry to acquire colonies. Such struggles, however, did not take place in the imperialistic countries themselves but rather they occurred in far away places. As far as the industrialist was concerned he did not have much cause for anxiety. He could be quite sure that his factories and his property at home would be safe.

The circumstances in the Southeast Asian countries are unfortunately quite different. In many areas domestic turmoil and incompetent administration have developed to such menacing proportions that the industrialist might well be uncertain whether his factory if established one day may still be his the next.

Therefore, in all the three factors considered so far, namely, markets labour and political stability the industrialists in under-developed countries are faced with a more challenging set of circumstances than those which their western predecessors had to face.

Now let us examine the factor of technology. It is often said that the latecomer in the industrial arena has an advantage over his predecessors in that he has the benefit of their knowledge and experience. I view this contention with some reservation for several reasons. In the first place, technology must be adequately supported by skilled workers, engineers and technicians. We have seen that these are usually very scarce in under-developed countries. Secondly, technology only becomes an advantage to the latecomer if there is a chance for him to apply it. Quite often when a set of techniques is being adopted, new techniques supercede them. Thirdly, the advantage of accumulated knowledge and experience is important principally in imitative industries. Thus, to attach undue importance to this advantage, would result in a neglect in the important process of innovation which I have already said must be increasingly important in the long run. However, there is still sufficient validity in the contention that the industrialist in under-developed countries has an advantage over his predecessors of the developed countries. This advantage, however, has usually to be paid for in royalties for know-how.

On balance, I would say that the industrialists of the under-developed countries have to overcome much greater difficulties than their western predecessors had to. In the final analysis, markets, labour and efficient production processes are the hard realities of economic competition under democratic systems of government. Without adequate skilled labour and management, technology cannot be borrowed. Without markets there is absolutely no need for technology. And without political stability, the availability of markets would not interest most industrialists.

This brings me to another factor and that is the role of governments of under-developed countries are taking a much more direct interest in industrial promotion than governments of developed countries during the corresponding stage of industrialisation in those countries. I do not think we can dispute the facts. Some Governments of under-developed countries go to great lengths to provide proper infra-structure, tax exemptions and other incentives, and financial assistance such as loans. But the role of government is not an isolated factor. It is directly related to the other factors and I regard it as an attempt by governments of under-developed countries to offset the disadvantages which the industrialists have to face as compared with their predecessors.

Let me illustrate my view by discussing the case of Singapore. In the case of Singapore, the Government had all along recognised the fact that each of the four territories of Malaysia by itself could not have provided the minimum market for locally mass-produced goods. We then exerted our utmost first to secure the services of a competent World Bank Mission to investigate into the possibilities of a Malaysian Common Market and then to obtain constitutional validity for its establishment. As you know, the full Tariff Advisory Board have now been appointed and we should be making headway in this matter.

We can also claim that we have been put to rigorous tests in maintaining political stability. We have succeeded to out-wit and out-manoeuvre the subversive elements in Singapore and by joining with the other states to form a much large viable political entity, we have further enhanced political stability. No doubt we have an aggressive neighbour in the South but we also have friends close by. Not only have we withstood so called confrontation, we have in fact maintained a high level of economic activity. So long as the people of Malaysia have the will to survive we can withstand the worst that Dr. Sukarno is capable of mounting.

As regard labour, our workers are notably skilled and they have shown in many cases a high capacity for adaptation. The building of the first refinery in Singapore in record time, the successful introduction of prefabricated construction, and successful operation of a number of pioneer industries are some examples of the level of proficiency of our labour. Although labour is highly organised in Singapore, the machinery for peaceful negotiations in the State is adequate and the efficient industrialist has nothing to worry in this respect.

Summing up I would say that the industrialists in developing countries in Southeast Asia are faced with more challenging circumstances than their predecessors. The Singapore Government has all along appreciated this point and has accordingly given assistance to the industrialists in various ways. This Seminar is yet another way, for I hope that through this Seminar the Industrialist will be introduced to the set of rational calculations that have to be made in assessing the prospects of any proposed venture.

I wish the Seminar every success.

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