

EMBARGOED UNTIL AFTER DELIVERY

Speech by Dr. Goh Keng Swee, Minister for Finance,  
at the Annual Dinner of the Singapore Manufacturers'  
Association held at the Tropicaans on 19th June, 1970  
at 8 p.m.

One snag about giving a speech at the Tropicaans is the competition that one has to face from the elegant young ladies who will claim your attention before very long. A speaker, if he is at all sensitive cannot but feel that his speech forms a somewhat insipid hors d'oeuvre before a delectable main course. In those circumstances, it is advisable to follow the precept of the old hand who advised that a speech should be like a lady's swimming costume, brief enough to arouse interest, but long enough to cover the essential points.

What I want to discuss tonight is how and why we should help in the industrial development of our two neighbours, Indonesia and Malaysia.

First, why. I think the answer is self-evident to all of you. If we grow in affluence while they do not, we shall stick out like a sore thumb. This is not good for us and obviously it is in our interest that their economic growth should keep pace with ours.

How do we set about doing this? First, it is obvious that our contribution can only be of modest proportion, but as I shall explain later, it can be useful.

Let me take Indonesia first. Last year I led a mission to Djakarta and had valuable discussions with leaders of that country. So did the industrialists who accompanied me. The projects which were discussed on that occasion are getting off the ground one by one. On another occasion, I hope to make public details of progress achieved so far. It has been good.

Here I want only to remind you of some advantages which investment in industry in Indonesia offers. The Indonesian Government is anxious to attract foreign investment. A wide range of incentives, including tax exemption, is available for approved projects. The Singapore Government has agreed that profits earned by Singapore

investors in such approved projects will also enjoy tax exemption in Singapore. However, it is necessary that such investors give advance information to the Ministry of Finance regarding the details of their investment projects, concessions that have been extended by the Indonesian authorities and other relevant matters. Otherwise, exemption from Singapore income tax will not be granted.

I believe that Singapore industrialists can make a valuable contribution to Indonesia's industrial growth. The scale of operations which we are accustomed to, the goods we produce, the level of technology and the type of management are probably more suited in many instances to the Indonesian environment than the large complex organisations and technology of the more advanced nations.

In the case of Malaysia, the situation is different. Our level of technology and management does not differ very much from theirs. The Government has decided that investment in Malaysian pioneer industries can enjoy tax exemptions on dividends earned. Curiously, Malaysia follows a different policy in this regard. Malaysians who invest in Singapore pioneer industries are taxed on the dividends they bring back. I therefore infer that the Malaysian Government prefer that their industrialists invest at home rather than abroad, and indeed as a sovereign state, she is entitled to follow whatever policy she judges to be in her own interest.

Malaysia will benefit from our industrial growth in another way as well. Because the two countries are so close together, with such excellent communications and so much similarity in many respects, large foreign corporations who invest in Singapore are automatically exposed to the advantages which Malaysia offers. I expect that in the years to come the spin-off from Singapore to Malaysia will be increasingly significant.

I think there is a moral in all this. For a very long time, one of the barriers to fruitful regional co-operation, especially in the field of industrial growth, has been the mental attitude of participating countries. Each country feels that if another country gets something, there will be that much loss for itself. The more there is for you, the loss there is for me. That was and unhappily, still is the prevailing attitude.

I consider the reasoning behind this to be fallacious. Growth in one country must have favourable effects on growth in

another. The experience of the European Economic Community gives convincing proof of the enormous benefits enjoyed by all when individual members of a regional group adopt a forward-looking and positive approach. Every member of the E.E.C. welcomes any increase in prosperity in any part of the community as this has general beneficial results.

We in Asia and the other developing countries have yet to learn this lesson from successful European experience. We have yet to learn that economic growth is not the result of the endeavours of economic planners or the outcome of international conferences, or the end product of the exertions of bureaucrats in their multi-farious duties. Economic growth is the result of the perception of opportunities linked with the possibility that men with capital, enterprise and knowhow can take action to realise these opportunities. In other words, outside of Communist countries, where successful economic growth has taken place, it has largely been the result of successful free enterprise being allowed, and indeed encouraged, to take advantage of business opportunities.

A society in a state of dynamic economic growth is necessarily forward-looking, outward-looking and self-assured. It places great value on certain human qualities - enterprise, innovation, imagination and daring. For economic growth, in the final analysis, is the external physical manifestation of the creative impulses of the human spirit.

If we in Singapore have something to show for our exertions of the last decade, it is because we have understood this basic pre-condition of economic development. And the fact that the Singapore Manufacturers' Association are able to enjoy their annual dinner in such happy circumstances would show that this policy pays off.

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