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TEXT OF A BROADCAST TALK BY THE MINISTER FOR FINANCE, DR. GOH KENG SWEE, OVER RADIO SINGAPORE AT 7.10 P.M. ON SUNDAY, JANUARY 6, 1963, BEING THE THIRD IN A SERIES ON "SOME PROBLEMS OF INDUSTRIALISATION"

3 - Import Duties and the Common Market

Anyone watching the road traffic in Singapore, will be impressed by one thing. And this is the tremendous variety in the makes of motor cars. We have cars from practically every major manufacturing country in the world - Britain, America, France, Germany, Italy, Sweden, Japan, Australia and even Czechoslovakia. The same goes for scooters and many other goods that we buy - refrigerators, typewriters, cameras, air-conditioners, watches, textiles, drugs and what have you. I have travelled through many big cities of the world and in no place have I found such a wide range of goods coming from so many countries as in Singapore. Other travellers will confirm my experience.

Why is this so and what is its meaning? Singapore and Malaya have the highest standard of living in South and South-East Asia. With the high standard of living, our people can buy many things. Most of the things we buy are imported, as we do not make them ourselves. The Malayan market is, therefore, a large one and manufacturers all over the world compete very strongly to sell their goods to us. That is why we have this large variety. And our free port status, with the absence of import duties, makes Singapore a very attractive place to the salesmen of these foreign products. This explains the variety of imported articles.

What is the significance of this? When we buy an imported car or refrigerator, we are in fact paying for the wages of foreign workmen who make these cars or refrigerators; also for the wages of those who make the raw materials and components going into their manufacture. We also pay for the salaries of managers and directors of these firms and, of course, add to their profits. In other words, we are assisting in the industrialisation of advanced countries.

On the face of it, this looks a crazy thing for us to do, when we have so many people looking for work and unable to find it. Surely it is more sensible to make these things ourselves and in this way help to give jobs for our own people?

The matter, however, is not so simple. First, there is no one in Singapore who knows how to make a refrigerator or a camera, or any of the hundreds of articles which we buy from abroad. But this is not an insurmountable difficulty. We can get round this by learning how to do it ourselves, by inviting foreign manufacturers to set up joint enterprises in Singapore.

The second obstacle is more important. If you set up such an enterprise, you may find that the local firm cannot compete with imports. In modern industry, as you know, efficiency and low cost often go with large-scale production.

This is 2/-

This is determined by technical production processes and varies from industry to industry. In some articles one unit of small scale manufacture may be so high, that we may have to pay many times the import cost of these articles if we want to manufacture them here. In other cases, the increase in cost may be quite small.

The sensible thing to do, therefore, is to study which of the imported goods we can make ourselves and at how much extra cost compared with imports. If the extra cost is not too high, then we should be prepared to levy an import duty on these goods so that new industries can grow in Singapore to make them here.

Once we start protecting industries by import duties, it is an advantage to have the largest possible protected market. This means that your industries can then be larger and more efficient. The additional cost to you as the consumer will be less.

Therefore, if we can have a protected market which will include not only Singapore, but also the Federation of Malaya and eventually the whole of Malaysia, then the size of industries supplying the whole Malayan or Malaysian market will be larger than if the industries were to serve Singapore alone. Obviously, the factory producing for 10 million people must be larger than a factory producing for 1.7 million people. This is the reason why we have suggested to the Federation of Malaya to set up a Common Market for certain manufactured goods. A common market means that these goods if produced in Singapore can be exported to the Federation without paying the import duty which they now pay. Similarly goods made in the Federation will be exempted from the import duties which we in Singapore will be levying. But if the goods were produced outside our two territories, then they will be taxed on entry either into Singapore or the Federation. So you get a pan-Malayan protected market for the local manufacturer. I made this proposal more than three years ago and I am glad to say that a high-powered World Bank Mission has been appointed to study this subject. The mission is headed by Professor Jacques Rueff and will commence its work soon.

My belief is that this Common Market will be of great value in industrialising the whole of Malaysia. The benefit will accrue not only to Singapore but to all territories. Some people in the Federation are afraid that under our proposed Common Market, industries will move towards Singapore. This is the reason why there was reluctance in the past to accept our proposals. But I believe that these fears are groundless, for each territory has its special attraction for particular industries. For instance, the Federation of Malaya has bigger population and a bigger market. It has a wider range of raw materials than Singapore has. Hence industries producing consumer goods for the home market may find that the Federation is a more attractive place to site a factory than Singapore. On the other hand, where exports are important, they may find Singapore, with its central position and good communications a better place. Then, of course, for very large industries where, say, one plant may suffice for the whole of Malaysia, the decision where to site this plant can be made by a pan-Malaysian authority.

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The Common Market as proposed by us, will not destroy the entrepot trade, nor reduce Singapore's pre-eminence as a trading centre in South-East Asia. The bulk of our entrepot trade consists of import processing and re-export of tropical raw materials, such as rubber, spices, copra, etc. Food, provisions and textiles are also imported. There will be no duties on these. There is a wide range of goods which we are not likely to be able to manufacture ourselves and which are important items in our entrepot trade. These will not be included in the Common Market.

In July last year the Singapore Legislative Assembly passed the Tariff Advisory Commission Ordinance which provides for the setting up of a Tariff Commission. The Commission will study what import duties can be levied in Singapore, having regard to prospects of industrialisation, the impact on the entrepot trade, employment and so forth. I have appointed members of this Commission and they will commence work soon. I have also referred to the Commission a list of 30 goods for their consideration. These are the goods on which studies have been made as to whether or not they can be manufactured in Singapore. The Economic Development Board conducted these studies and they are satisfied that it should be possible to make these goods here, if protected duties are levied. This list of goods is the first of a series which I shall refer to the Tariff Commission.

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