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SPEECH BY MR BERNARD CHEN, MINISTER OF STATE FOR
DEFENCE, AT THE FIFTH AUSTRALASIAN PARLIAMENTARY
SEMINAR AT THE SINGAPORE HILTON ON MONDAY
1 SEPTEMBER 1980 AT 2.30 PM

"ECONOMIC RELATIONS BETWEEN SINGAPORE AND AUSTRALASIA"

Introduction

The decade of the 1970s was characterised by increasing instability in the world economy. The early 1970s were dominated by such events as the collapse of the fixed exchange rate system, sharp increases in prices and the outbreak of the oil prices. These events contributed to the world recession of 1974-1975. The economic recovery since then has been hesitant and rather uneven between countries. When the upswing finally showed signs of being self-sustaining in the late 1970s, a second 'oil shock' hit the oil importing countries in 1979, when oil prices increased by a hefty 105 per cent from a high base of US\$12.70 per barrel. This has generated another period of stagflation.

The world economy therefore begins the 1980s with sluggish growth. Prospects remain uncertain. Developing countries will again be severely tested as industrialised countries move into a period of slow growth. We can only speculate on how long the current recession will persist, but it will certainly have important repercussions on the economics of the developing countries. Prospects for trade with the industrialised countries are not bright. Developing countries must seek solutions, or brace themselves to meet the blow of economic stagnation. All the more they must strengthen economic relations among themselves.

With the global recession following so soon after the earlier recession of 1974-75, the lesson Singapore and most other developing countries have learnt is that the only way to mitigate the effects of the economic slowdown in the industrialised countries is to break away from the traditional trading habits and establish fresh relationships with the existing as well as new trading partners. To counter the rising protectionistic measures adopted by the developed countries to shelter their own industries from the adversity of the recession, we must diversify and seek new markets for our exports.

Trade between Singapore and Australasia

Geographically, Australasia spreads widely over the entire Pacific Ocean, covering Australia, New Zealand and the South Pacific island states. The larger groupings being Fiji, Nauru, New Caledonia, Papua New Guinea, Western Samoa and Solomon Islands. As an economic bloc, Australasia is an important trading partner of Singapore with a share of 4.2 per cent of Singapore's global trade in 1979.

Among the Australasian countries, Australia is a major trading partner of Singapore. In 1979, Australia was ranked ninth accounting for 2.9 per cent of our total trade. However, although two way trade rose by 41 per cent during the period 1976 to 1979, Australia's share of Singapore's global trade fell from 3.6 per cent to 2.9 per cent. Trade with New Zealand accounted for less than 1 per cent of Singapore's total trade while the South Pacific island states as a whole accounted for less than 1 per cent.

The items of trade between Singapore and Australasia are mainly food and petroleum products. Singapore's major imports from Australia are wheat, meat, fruit and sugar. Similar items and dairy products are imported from New Zealand. The range of imports from the South Pacific islands is narrow, confined to honey, sugar and spice from Fiji; fish from Western Samoa; oil seeds, nuts, coffee, spices, hides and skins from Papua New Guinea; and copra from Solomon Islands. Our imports from New Caledonia are mainly iron and steel. On the other hand, Singapore's exports to Australasia are primarily petroleum products and a narrow range of manufactured goods.

Unfortunately, the recent trade pattern has not been encouraging. Over the past four years, Australasia's share of Singapore's global trade has declined in importance. This disheartening trade pattern can be attributed to four major factors:

- a high and extensive tariffs, and quota restrictions;
- b other non-tariff barriers such as high freight rates and compulsory import licensing scheme;
- c the dominance of the relationships with traditional trading partners; and
- d the geographical isolation of the South Pacific island states and inadequate shipping links with Singapore.

The obstacles can be overcome if there is a conscious need to widen trading horizons. Rich in primary produce, Australasia has much to offer. A concerted effort to explore new markets and establish bilateral relations will have its rewards. Meanwhile, Singapore is strategically located and has better facilities and communication links, and can offer its financial and trading services, acting as a distribution centre for goods to and from countries in Australasia.

Tourism

One other aspect of trade is tourism. The tourist industry in Singapore has remained a healthy economic growth sector despite the difficulties encountered on some aviation issues. In 1979, Singapore received more than 2.2 million visitors, a growth of 9.8 per cent over 1978. Although the tourist traffic from Europe and America will slacken because of the recession, the number of visitors from those countries whose economy has remained resilient is expected to be high.

Countries in Australasia, too, can build up their tourist industry as a source of economic growth. As air travel becomes more expensive and inflation soars in the traditional destinations, many tourists are turning to alternative holiday resorts which are cheaper and nearer home. With the immense exotic attractions of the South

Sea Islands as an idyllic sanctuary for city folks of East and South East Asia, the tourism sector of island Australasia holds great promise for growth and development. There could be closer co-operation between the travel industries of Australasia and Singapore to boost tourism in the South Pacific region. As an example, Singapore could, because of her strategic location, serve as a "gateway" for tourists entering the Australasian region.

Investments

Australasia, as a whole is not a major investor in Singapore. As at December 1979, Australian investments in Singapore amounted to 1.7 per cent of total foreign investments here. The main areas of investment are in the machine tools, automobile and electric products industries. In the same period, New Zealand's investments in Singapore amounted to 0.05 per cent and her main areas of investment are in the food and beverage, transport equipment, electronics and plastic products industries. On the other hand, the South Pacific countries, like Singapore, are recipients of foreign investments.

Technical Assistance

Apart from trade and investment, one other aspect in Singapore's relationship with Australasia is technical aid. Australia and New Zealand are donors of technical assistance to Singapore. The assistance, provided principally under the Colombo Plan, has been mainly in the form of training awards, experts and equipment.

Between 1964 and 1980, Singapore received a total of 391 undergraduate and 74 postgraduate training awards. The awards were mainly in the field of engineering, architecture, medicine, veterinary science and land surveying, which helped to build up the core of professional manpower in Singapore. In addition, a total of 538 training attachments were received. Within the same period, 123 Australian experts in computer science, medicine, engineering and air pollution were sent to Singapore to help in ad hoc projects. Aid in terms of equipment from Australia amounted to S\$1.9 million.

From New Zealand, Singapore received 199 undergraduate and 12 postgraduate scholarships between 1961 and 1980. During the

same period, a total of 176 short-term attachments and training awards were offered to Singapore. The Singapore Institute of Standards and Industrial Research (SISIR) was set up with technical and financial assistance from the New Zealand government. Since the conclusion of the Singapore-New Zealand Agreement for Industrial Technological and Scientific Cooperation (SINTESD) in 1976, there have been active staff exchanges, trade missions, trading operations and joint ventures between New Zealand and local firms. Equipment aid from New Zealand over the years adds up to S\$0.42 million.

Singapore has also offered technical assistance, understandably at a modest scale. Most of the technical assistance were given under the auspices of world agencies such as the UN Development Programme, UNESCO, the Commonwealth Fund for Technical Cooperation (CFTC) and the Colombo Plan. To date, five experts have been sent to Australasia: three to Fiji and two to Papua New Guinea; 63 training awards and attachments were given to nationals from the South Pacific islands between 1964 and 1980. Significantly, the majority of the awards were given over the last four years when Singapore was seeing the initial fruits of her economic struggle in the Sixties and early Seventies.

Mutual Economic Cooperation

As Singapore moves into her next phase of economic development, her need for assistance from the industrialised countries will not diminish in intensity though it may be in a different form. Singapore would, on the other hand, continue to assist the needy countries in Australasia whenever possible in their economic development through the provision of training attachments.

Without doubt, the 1980s herald a new era and pose new challenge to all countries. The year 1980 has witnessed and will witness great changes in the world's political and economic scenario. Internally, Singapore has embarked on a deliberate policy to re-structure her economy to face a more difficult world. In the next 5-10 years, Singapore hopes to transform itself into a manufacturing centre whose higher skilled industries will not compete with but complement those in our neighbouring countries in the region. Our efforts in developing the information and knowledge industries

including computer softwares and a comprehensive range of financial and investment services will also reinforce the increasingly useful role that Singapore is playing as a distributive and servicing centre for the region. This development will complement very well the efforts made by the resource rich nations of Australasia to extend its activities more aggressively into the world market. An effective symbiotic relationship can be developed which will benefit all parties. In this mood, the future augurs well for more mutual assistance and economic cooperation amongst us in Australasia and Singapore.

5TH AUSTRALASIAN PARLIAMENTARY SEMINAR

1st September, 1980

Singapore

Economic Indicators of:-

- 1 Singapore
 - 2 Malaysia
 - 3 Hong Kong
 - 4 Australia
 - 5 New Zealand
 - 6 Papua New Guinea
 - 7 Fiji
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This Annexure is to be read in conjunction with the Speech to be delivered by Mr Bernard Chen, Minister of State (Defence), Lead-Speaker on Economic Relations between Singapore and Australasia.

SINGAPORE

	Unit or base	1977	1978	1979
Area	sq km	-	-	616.3
Population (mid year)	'000	2,308.2 (1.3)	2,334.4 (1.1)	2,362.7 (1.2)
GDP (At 1968 Factor Cost)	S\$ mil	9,290.3 (7.8)	10,088.6 (8.6)	(11,027.7) (9.3)
GPI	Jun '77- May '78=100	97.2 (3.2)	101.9 (4.8)	106.0 (4.0)
Unemployment Rate	%	3.9	3.6	3.3
Total Trade	S\$ mil	45,612.2 (18.0)	52,586.8 (15.3)	69,274.5 (31.7)
Imports	S\$ mil	25,521.9 (13.9)	29,601.3 (16.0)	38,334.4 (29.5)
Exports	S\$ mil	20,090.3 (23.5)	22,985.5 (14.4)	30,940.1 (34.6)
Balance of Payment				
Current Account	S\$ mil	-1,161.4	-1,714.7	-2,561.6
Overall Balance	S\$ mil	763.3	1,511.5	1,137.1
Index of Industrial Production	1974=100	121.1 (9.2)	135.3 (11.6)	154.9 (14.4)
Exchange Rate (Average)	S\$/US\$	2.4393	2.2738	2.1744

- Sources : 1) Economic Survey of Singapore, 1979
 2) Department of Statistics
 3) MAS

Note : Figures in () refer to annual growth rate.

MALAYSIA

	Unit or base	1977	1978	1979
Area	1000 sq km	-	-	329.7
Population (mid year)	million	12.95 (2.7)	13.30 (2.7)	13.65 (2.6)
GDP (As 1970 Constant Market Prices)	M\$ mil	20,753 (7.5)	22,285 (7.4)	24,084 (8.1)
GPI (Pen. Malaysia)	1967=100	154.8 (4.7)	162.4 (4.9)	170.5 (5.0)
Unemployment Rate	%	6.5	6.2	n.a.
Total Trade	M\$ mil	26,574 (14.8)	30,784 (15.8)	37,530 (21.9)
Imports	M\$ mil	11,615 (19.6)	13,690 (17.9)	16,505 (20.6)
Exports	M\$ mil	14,959 (11.3)	17,094 (14.3)	21,025 (23.0)
Balance of Payment				
Current A/c.	US\$ mil	1,271	572	450
Overall Bal.	US\$ mil	312	271	n.a.
Index of Industrial Production (Pen. Malaysia)	1968=100	210.1 (8.6)	230.3 (9.6)	251.1 (9.0)
Exchange Rate (Average)	M\$/US\$	2.4513	2.3160	2.1884

Source: 1) Asian Development Bank, Report and Recommendations of the President to the Board of Directors on proposed technical assistance loan and grant Malaysia for the East-West Highway Project (Phase III) (21 Feb 1980).

2) Key Indicators of DMC of ADB.

3) Economic Report, Ministry of Finance, Malaysia 1979/80.

4) International Financial Statistics.

Note : Figures in () refer to annual growth rate.

HONG KONG

	Unit or base	1977	1978	1979
Area	'000 Sq Km	-	1.05	-
Population (Mid-Year)	'000	4,513 (1.6)	4,606 (2.0)	4,900 (6.4)
GDP (At 1973 Constant Market Prices)	HK\$ Mil	46,131 (9.8)	50,753 (10.0)	56,577 (11.5)
GPI	Jul '73- Jun '74=100	117.7 (5.8)	124.7 (5.9)	139.2 (11.6)
Unemployment Rate	%	4.1	2.7	3.4
Total Trade	HK\$ Mil	93,534 (10.2)	116,964 (25.0)	161,771 (38.3)
Imports	HK\$ Mil	48,701 (12.5)	63,055 (29.5)	85,837 (36.1)
Exports	HK\$ Mil	44,833 (7.9)	53,908 (20.2)	75,934 (40.9)
Balance of Payment				
Current Account	US\$ Mil	454	-428	-98
Exchange Rate (End of Period)	HK\$/US\$	4.620	4.810	4.960

- Sources :
- 1) Hong Kong in Figures (1980 Edition)
 - 2) Hong Kong, An Economic Report Published by National Westminster Bank (June 1980)
 - 3) Asian Development Bank, Report and recommendation of the President to the Board of Directors on a proposed loan to the government of Hong Kong for the second Sha Tin Urban Development Project (31 Jan 1980)
 - 4) Hong Kong Monthly Digest of Statistics
 - 5) The 1980-81 Budget Estimates of Gross Domestic Product 1966-78

Note : Figures in () refer to annual growth rate

AUSTRALIA

	Unit or base	1977	1978	1979
Area	'000 sq km	-	-	7,681.0
Population (mid year)	million	14.1 (1.4)	14.2 (0.7)	n.a.
Real GDF		(1.1)	(1.7)	(4.6)
CPI	1975=100	127.5 (12.3)	137.6 (7.9)	150.3 (9.1)
Unemployment Rate	%	5.1	6.1	6.5
Total Trade	A\$ mil	24,225 (16.1)	26,183 (8.1)	33,000 (26.7)
Imports	A\$ mil	12,189 (20.4)	13,592 (11.5)	16,711 (22.1)
Exports	A\$ mil	12,036 (12.0)	12,591 (4.6)	16,289 (32.7)
Balance of Payment				
Current Account	US \$ mil	-2,512	-3,888	n.a.
Overall Balance	US \$ mil	- 938	- 63	n.a.
Exchange Rate (Average)	US\$/A\$	1.1090	1.1447	1.1110

Source: 1) EIU Quarterly Economic Review of Australia, PNG (Annual Supplement 1979)

2) International Financial Statistics

3) Economic Report Lloyds Bank

4) OECD Economic Outlook (July 1980)

Note : Figures in () refer to annual growth rate.

NEW ZEALAND

	Unit or Base	1977	1978	1979
Area	'000 Sq Km	-	-	268.7
Population (Mid-Year)	Million	3.11 (0.6)	3.11 (-)	3.15 (1.3)
Real GDP		(-2.7)	(-1.9)	(-0.4)
CPI	(1965=100)	263.7 (14.4)	295.2 (11.9)	335.5 (13.7)
Unemployment Rate	%	1.2	n.a.	n.a.
Total Trade	NZ \$ Mil	6,473.1 (26.5)	6,331.7 (-2.2)	7,001.6 (20.5)
Exports	NZ \$ Mil	3,244.4 (16.8)	3,018.2 (-7.0)	3,552.0 (16.0)
Imports	NZ \$ Mil	3,228.7 (35.3)	3,313.5 (2.6)	4,008.6 (22.0)
Balance of Payment				
Current Account	NZ \$ Mil	603	392	537
Overall Balance	US \$ Mil	-597	-444	n.a.
Exchange Rate (Average)	US\$/NZ\$	0.9708	1.0378	1.0220

- Sources: 1) OECD Economic Surveys - New Zealand (March 1980)
 2) International Financial Statistics
 3) OECD Economic Outlook (July 1980)
 4) Reserve Bank of New Zealand (BIS 21/2/80)

Note: Figures in () refer to annual growth rate

PAPUA NEW GUINEA

	Unit or Base	1977	1978	1979
Area	'000 Sq Km	-	462.8	-
Population (Mid-Year)	Million	2.91 (3.0)	2.99 (2.9)	3.08 (3.0)
GDP (At FY 1973 Constant Purchaser's Value)	Kina Mil	856 (5.5)	n.a.	n.a.
CPI (Five Towns)	1971 = 100	176.0 (4.5)	183.0 (4.0)	n.a.
Total Trade	Kina Mil	1,019 (26.4)	1,028 (0.9)	n.a.
Imports	Kina Mil	448 (30.2)	478 (6.7)	n.a.
Exports	Kina Mil	571 (23.6)	550 (-3.7)	n.a.
Balance of Payment				
Current Account	US\$ Mil	116.3	-18.6	n.a.
Overall Balance	US\$ Mil	185.3	-44.7	n.a.
Exchange Rate (Average)	US\$/Kina	1.2640	1.4117	1.4053

Sources: 1) Asian Development Bank, Economic Memorandum on Papua New Guinea (June 1979)

2) Key Indicators of DMC of ANP

3) International Financial Statistics

Note : Figures in () refer to annual growth rate

FIJI

	Unit or Base	1977	1978	1979
Area	'000 Sq Km	-	-	18.3
Population (Mid-Year)	Million	0.59 (1.7)	0.60 (1.7)	0.61 (1.7)
GDP (At 1968 Constant Factor Cost)	F \$ Mil	211.1 (4.5)	216.4 (2.5)	n.a.
CPI	Jan '74=100	146.4 (7.0)	155.3 (6.1)	167.3 (7.7)
Index of Industrial Production	1972=100	123.6 (10.7)	119.6 (-3.2)	125.6 (5.0)
Total Trade	F \$ Mil	445.3 (23.5)	466.5 (4.8)	607.8 (30.3)
Imports	F \$ Mil	281.0 (18.1)	300.0 (6.8)	392.8 (30.9)
Exports	F \$ Mil	164.3 (34.1)	166.5 (1.3)	215.0 (29.1)
Balance of Payment				
Current Account	US\$ Mil	-30.4	-46.2	n.a.
Overall Balance	US\$ Mil	16.7	-19.1	n.a.
Exchange Rate (Average)	US\$/F\$	1.0904	1.1812	1.1968

- Sources :
- 1) Asian Development Bank, Economic Memorandum on Fiji (May 1980)
 - 2) Key Indicators of DMC of ADB
 - 3) International Financial Statistics

Note : Figures in () refer to annual growth rate