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SPEECH BY BG (RES) LEE HSIEN LOONG, ACTING MINISTER FOR
TRADE AND INDUSTRY AND MINISTER OF STATE FOR DEFENCE,
AT THE ECONOMIC DEVELOPMENT BOARD (EDB) 25TH ANNIVERSARY
CELEBRATION DINNER HELD AT WESTIN STAMFORD HOTEL
ON TUESDAY, 30 SEPTEMBER 1986 AT 7.30 PM

HOW THE EDB WAS FORMED

In 1960, Dr Albert Winsemius led a United Nations study group to undertake an Industrial Survey Mission in Singapore. The group set their minds to developing an industrialisation programme for Singapore. Their overriding consideration was the creation of jobs, both to soak up the large numbers already unemployed, and to absorb the tens of thousands more from the post war baby-boom entering the job market every year.

They completed their report a year later. The plan was to begin with import substitution, and then go on to compete in international markets. The group foresaw that rapid industrialisation would require equally rapid development of infrastructure by the government, and investment in productive equipment and machinery by the private sector.

The government accepted the plan. It decided that the best way to implement it was to create a new agency having total responsibility for all aspects of industrial development. Thus, on 1 August 1961, the Economic Development Board was formed. Its mission was both to promote new investments, and to develop the industrial infrastructure to support these investments.

25 YEARS OF INDUSTRIAL DEVELOPMENT

Starting the process of industrialisation was both an act of will, and an act of faith. To build factories for the new industries, the swamps of Jurong had to be drained. The ground had to be leached. Hills were levelled, jungles cleared. Roads, sewers, drains, wharves, telephones, water and electricity, all had to be provided, with no guarantee whatsoever that investors would come. Had our faith been misplaced, it would all have been a gigantic waste of money. Indeed, for a few years, we had more factories than we could find tenants for.

Twenty-five eventful years have now gone by. Despite major political and economic problems - the stagnation of the period before 1965, the trauma of Separation from Malaysia, the shock of the British troop withdrawal, and the Oil Crisis - we made steady progress in industrializing our economy.

By 1970, industrial production was contributing more to GDP than trade. By 1975, we had reached full employment. We have built industrial parks, upgraded the skills of our manufacturing workforce, and raised the level of technology in industrial production. But most of all, we have established a track record as an efficient and profitable business centre.

DEVELOPING A TRACK RECORD: TEXAS INSTRUMENTS

This progress was the result of the fundamentally correct policies of the Singapore government - concentrating on the preconditions of economic growth, offering a stable political leadership and an efficient administration, training a hardworking and disciplined workforce, providing businesses with a conducive environment where they can thrive and progress. But of course the progress was only won through much striving and plain hard work, not least on the part of the EDB. Let me illustrate this with one specific example.

In early October 1968, the president of Texas Instruments, Mr. Mark Shepard, stopped by in Singapore. He was on his way home to the US after visiting a plant in Japan, and was looking for another Asian location to set up a plant in a hurry. The then EDB Director, Mr I F Tang, briefed him. I F must have made an effective marketing pitch, for Mr Shepard left the meeting persuaded that Singapore could be the place.

Back in Dallas, Mr Shepard appointed a seven-man team to survey the project. The project team wanted a briefing before they left. The response was immediate. A telephone call brought Mr Chan Chin Bock, then the Director of the Singapore Investment Centre in New York, 2,000 miles for a four-hour session at Texas Instrument's headquarters. The team left for Singapore the next day. Within three weeks, after intensive consultations and studies assisted by EDB officers, they were back in Dallas.

On 25 November, TI committed to set up a \$6 million plant to manufacture semiconductor parts for export to world markets. Immediately, the EDB and related agencies swung into action to get the project off the ground. Fifty hectic days later, Texas Instruments Singapore Private Limited rolled the first batch of semiconductors and integrated circuits off its production line.

In the short space of four months, the EDB had won an investment which was to herald the beginning of the electronics industry in Singapore.

A NEW ECONOMIC ERA

The story of Texas Instruments has been repeated, dozens of times, over the last 25 years. EDB's active and go-getting strategy, which worked with TI, has proven its worth. It will form the basis of new promotion techniques, which we shall need to meet future challenges.

The world economy today is very different from the environment of 25 years ago. Our comparative advantage in manufacturing is being reduced, as other developing countries too seek economic growth through greater industrialization. Protectionism in world trade will further hinder the export of manufactured goods, and therefore discourage offshore investments in countries like Singapore. At the same time, advances in automation and technology are making it more attractive for companies to manufacture at home instead of overseas.

Our basis for economic growth over the next twenty-five years will therefore have to be different. The Economic Committee has pointed out that the new growth areas for the Singapore economy lie in international tradeable services and offshore investments and activities - offshore in the sense of outside Singapore, both within and beyond the region. At the same time, we must further develop the manufacturing sector in Singapore.

MANUFACTURING TODAY

We have come a long way from our starting point. When we first began awarding pioneer certificates in 1962, factories making chewing gum, condensed milk, lamp holders, zips and plastic toothbrushes were among the recipients. Today these appear old-fashioned, hardly pioneer products. We have moved on from lamp-holders and chewing gum to aerospace components, medical diagnostic kits, wafer fabrication, and high precision machine tools. But at that time lamp-holders and chewing gum were important industries which got us started.

In terms of value of output too our progress is evident. Value added per worker in manufacturing as a whole was about \$6,100 in 1961. Last year, the corresponding average was more than \$40,000. More significantly, value-added per worker arising from new investments in manufacturing amounted to more than \$94,000 last year.

As a result of the success of our industrial promotion, many MNCs who are world leaders in their respective industries have set up plants in Singapore. These include Philips of Holland, the Matsushita group of Japan and General Electric of America. In our search for new investments, we must pay special attention to those companies already here. We should encourage them to grow with Singapore. This means EDB must look after its existing client base in Singapore. We must understand better their needs and concerns, and support them in developing plans and projects which will benefit both the company and Singapore. Their success will reflect ours, and vice-versa.

This year, EDB's target is \$1.4 billion in new investment commitments in manufacturing. Next year, the target is even more ambitious, at \$1.7 billion. Of course, the development of the manufacturing sector is more than just a numbers game. New investments should take advantage of our better educated and higher skilled labour force. We also need to analyse carefully each manufacturing sector, to identify gaps and weaknesses which should be strengthened. But numbers are important, for they provide us with an objective measure of our progress. We need this volume of investments if we are to grow at the 4-6 per cent per annum we are hoping for. Given the new international environment, the targets will not be easy to achieve; but I am confident that EDB will exert all its efforts to fulfil them.

SERVICES PROMOTION

While manufacturing will continue to be a mainstay of the economy, services are equally important. World trade in services has steadily increased in recent years, even while trade in merchandise goods has stagnated. For Singapore, services, including trade, contributed some 60 per cent to the GDP last year. We have a natural advantage in services. People are our key resource. If we concentrate our efforts, we can develop capabilities in particular service niches to compete internationally.

EDB has been given the task of promoting service industries internationally. A Services Promotion Division has been set up within EDB. I am happy that it is making good progress. It has prepared plans to promote specific industries and companies. New incentives for the service industry have been introduced. Since the extension of the pioneer certificate scheme to service companies in 1984, 31 companies have been granted pioneer service status. Response to the Operational Headquarters Scheme, which I announced in June this year, has also been good. The EDB has received numerous enquiries on the scheme and is now seriously discussing with more than 20 companies their plans to set up operational headquarters in Singapore. Seven companies have submitted applications for the OHQ incentive. These companies cover a wide range of services, from electronics and computer services companies to large industrial MNCs.

The EDB is also working closely with the other government agencies involved in the development of the services sector. Joint promotion programmes have been drawn up. Next month, the EDB will lead an investment promotion mission on agro-technology to Japan and the US. The team will include officers from the Primary Production Department as well as from local businessmen interested in this fast developing technology. This will be followed by more promotion visits covering other services industries.

EDB's network of international officers will also carry out direct selling to overseas service companies. More publicity will be given to attract service companies to Singapore, and to encourage companies to establish their operational headquarters here. In all, these programmes add up to an aggressive campaign to inform investors and local businesses of the opportunities for growth and profits in the service industry.

SMALL ENTERPRISES

A third focus for the EDB is the nurturing and development of small and medium sized enterprises. We must help these enterprises to upgrade and grow so that they can obtain the economies of scale and the organisational strength to compete in the world market.

Since the beginning of the year, the Small Enterprise Bureau of the EDB has implemented several programmes. One, to get MNCs to help local suppliers upgrade their operations and technology, was launched in May. A centre to provide advisory services to the tool and mould making industry will be operational by early next year. In time new centres will be set up to help other support and export oriented industries. There will also be other consultancy programmes, to help small businesses develop business plans, work out marketing strategies and improve operational management.

The role of the SEB is not to provide short term financial relief to the smaller businesses in Singapore. The SEB should continue to help companies with the potential and the entrepreneurial spirit to seek out new markets, acquire more productive technology, and establish themselves as an important part of the modern economy of Singapore.

THE FUTURE

Taking on responsibility for promoting services and small businesses is just one further step in the evolution of EDB. Over the years EDB has from time to time hived off functions which have grown too large to other agencies, and taken on new responsibilities related to its core mission. Thus, JTC started off as the Industrial Facilities Division of EDB, DBS Bank started off as the Projects Department, SISIR as the Technical Department. No doubt the future will see further changes in EDB structure if EDB is to continue to play an important role in Singapore's economic development.

EDB's role will always be in the context of the national economic policies of the government. The Economic Committee Report, now being implemented, outlines the government's philosophy and approach towards managing the economy, and for developing individual sectors. It is the responsibility of the economic ministries, namely Finance and MTI, to implement the correct macro economic policies, and maintain a competitive business environment in Singapore. Our educational institutions, under the Ministry of Education, will produce enough trained manpower, with the right combinations of skills, to meet the needs of a growing economy. Our labour unions will maintain a cooperative harmonious relationship with employers. The sum total of all this will be the source of our competitive advantage.

This is the capital which EDB must work with and market to maximum advantage. It is up to EDB to turn this competitive edge into real payoffs - actual new investments creating new jobs, be they in manufacturing or service industries, be they from overseas or Singaporean entrepreneurs. Such wise and bold new ventures will enable us to strengthen Singapore's industrial structure, and give it depth, resilience and true indigenous capability. Although our overall approach to economic development is a free market one, meaning that businessmen will invest where there is profit to be earned, this does not mean that there is no need for Singapore to advertise our strengths, project our image as a total business centre, persuade people to come and commit their investments here - all important EDB functions, especially in an era of keen international competition and more difficult investment promotion. The private sector must play the leading part in our economic development, but it is for EDB to make sure that the props are in place for them to put on a winning performance.

This is a job which involves every officer in EDB. It must become part of your mindset when you meet with investors and businessmen and when you think about ways and

means to develop manufacturing and services. You must be constantly vigilant not only to seize opportunities when they come by, but also to create opportunities when there are none to be had.

Picking the right industries and companies is no mean task. But then again, the EDB is no mean organisation. You have capable officers and 25 years of experience in investment promotion. Together, I am confident that we will be able to achieve greater heights in the development of Singapore's economy.

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