

Singapore Government

PRESS RELEASE

91 - LHL - 12

Release No.: 04/AUG
15-1/91/08/01

**SPEECH BY BG LEE HSIEN LOONG,
DEPUTY PRIME MINISTER AND
MINISTER FOR TRADE AND INDUSTRY,
AT EDB'S 30TH ANNIVERSARY DINNER
AT WESTIN RAFFLES BALLROOM
ON THURSDAY, 1 AUGUST 1991 AT 8.00 PM**

INTRODUCTION

May I congratulate the management and staff of the Economic Development Board for 30 years of achievement.

In 1961, Dr Albert Winsemius led a group of economic and industrial experts from the United Nations to Singapore. They submitted an economic blueprint to the Government. This report was called the Industrialisation Programme for Singapore, or the Winsemius Report. It was to guide Singapore through its early years of economic development.

Singapore then faced a grave and worsening problem of unemployment. 50,000 were jobless. The Winsemius Report recommended industrialisation as the strategy to create jobs, and proposed setting up an Economic Development Board (EDB) to implement this strategy. The Government accepted Dr Winsemius' recommendations, and formally established the EDB on 1 August 1961.

EDB - THE EARLY YEARS

The EDB confronted great, almost overwhelming, challenges in the early years. Singapore in the early 1960s was gripped in a life and death struggle between the non-Communist PAP Government and the Communists, who had

infiltrated trade unions, political parties and cultural groups. The result was political turmoil and labour strife.

To worsen matters, Singapore had no industrial track record. Workers had little relevant training or experience. Industrial infrastructure was negligible. Singapore was unknown to leading international companies as an investment location. Had they known about us, it might only have made EDB's task harder.

Even some companies which were already in Singapore had moved out across the causeway to Malaya, in search of greater stability and labour peace. Why should new companies come in? In these desperate circumstances, for the government to propound a long term plan to combat unemployment by promoting industry and transforming the economy was as much an act of faith as an act of will.

The EDB therefore started from scratch. It had to clear the swamps of Jurong to build factories, roads and utilities, to receive the new industries which we hoped to bring in. It formed a marketing team to identify potential investors and persuade them to set up factories in Singapore. It worked out industrial financing and incentive packages to entice investors, and offset Singapore's many uncertainties and manifest disadvantages.

The Government sent its most able and determined men to the EDB - Mr Hon Sui Sen, who was the first Chairman, Ngiam Tong Dow, J Y M Pillay, S Dhanabalan, Lee Yock Suan and Yeo Cheow Tong, although the latter two joined EDB somewhat later. Behind them all was Dr Goh Keng Swee, the master architect of the industrialisation programme.

These EDB pioneers landed the early projects through imaginative and opportunistic marketing, perseverance and plain hard work. Their war stories have become part of EDB's

folk history. One example was the first Texas Instruments project in 1968. TI knew very little about Singapore. It was not sure whether Singaporean workers had the skills and discipline necessary to work on an electronic assembly line. EDB took the TI team to a hair wig factory to show them the girls patiently stitching hairs one by one onto wigs. TI was convinced. Its project got off the ground within 50 days flat, from date of project commitment to the production of the first batch of semiconductors and integrated circuits in Singapore. They have been here ever since.

EDB's ROLE

Thirty eventful years have passed since the Winsemius Report. Despite major political and economic problems - Separation from Malaysia, the withdrawal of the British troops, the oil shocks, and periodic recessions - Singapore has made steady progress. From a poor under-developed country with a per capita GNP of US\$435 and 14 per cent unemployment in 1960, Singapore has become a newly industrialising economy with per capita income exceeding US\$11,000 and full employment. We are a global business centre, playing host to more than 700 international manufacturing companies, and 2,000 more in the trading, financial and services sectors.

A free market economist may query whether the EDB played any essential role in this unquestionably dramatic transformation. He could argue that the transformation would have taken place anyway, as it was the attractiveness of the Singapore business environment, not the persuasive powers of EDB salesmen, which determined whether investors came to Singapore. So long as our political and economic fundamentals - wages, skills, infrastructure - were correct, investors would come knocking on our doors. EDB would not need to go knocking on theirs. And if the fundamentals were wrong, no amount of hard sell would help.

This line of argument over-simplifies reality. Following its logic, most companies would not need marketing and sales departments. The intrinsic merit of their products would sell themselves. This is simply not so.

The argument overlooks two key elements. The first, as pointed out by Dr Goh in his Message, is that in real life MNCs have to decide on investment projects under time pressure and given only partial information. This gives EDB a window of opportunity to present Singapore's case and swing projects to Singapore. EDB's high standard of professionalism, dedication and job knowledge in these project negotiations has been a crucial competitive advantage. Without the EDB, some investments would still have come to Singapore. But many more would not even have considered Singapore, or been aware of what Singapore had to offer.

The second element is that Singapore has made itself attractive to investors not independently of the EDB, but because of the EDB's efforts. Singaporeans understand what is at stake. They follow BERI reports on our competitiveness and labour force. They respond to productivity campaigns and job enlargement exercises, and even accept occasional retrenchment as an unpleasant but necessary part of progress. This is the direct result of the EDB pushing hard to get the entire population of Singapore to go for growth.

The EDB has helped the Government to focus all its policies - finance, education, communications, infrastructure development - to promote growth. It has coordinated policy implementation by multiple departments and agencies, to minimise bureaucratic friction and red tape. The Singapore civil service is efficient. But without the EDB, it is improbable that Texas Instruments could have got its plant up and running within 50 days.

The EDB brings in investments not only by silver-tongued persuasion of foreign companies. It also identifies what investors really need - skills, worker attitudes, tax rules, political environment - and gets the message across to the civil servants, the government and the workers. As a nation, we have consciously adjusted our policies, modified our attitudes, and trained our workers to match changing market needs. This customer-oriented approach has kept us in high international demand.

The EDB will be the first to acknowledge that this achievement is not the result of its sole efforts. EDB has been a successful marketer only because the product it was marketing - Singapore as a business location - met the needs and expectations of the companies, lived up to EDB's sales pitch, and developed a track record and reputation which in turn attracted further business.

SUPPORT OF THE PEOPLE

A crucial factor in getting us onto this virtuous circle has been unity of purpose among all Singaporeans. The Government won the confidence and support of the people, particularly the workers, for its strategy of industrialisation. Government, unions, and employers all pulled in the same direction. And within the public sector itself, all ministries and departments, whatever their primary missions, worked together to create an environment favourable to growth.

Today we often take a cooperative labour movement for granted. Employers assume that when profits go down, the unions will be sympathetic and concerned, and willingly support retrenchments and lower bonuses. But it did not start off like this. In 1961, when EDB began, 415,000 man-days were lost through strikes and street riots - a peak year fortunately never since surpassed. Some strikes were caused by genuinely bad employer-worker relationships, which were too

often based on an adversarial zero-sum approach. Others were provoked by Communist agitation, to create general mayhem and economic stagnation and bring down the government.

Those of us who did not experience those tumultuous years may find it difficult to imagine how different conditions were in 1961, as we sit placidly around this ballroom tonight, politicians, businessmen and unionists all mingled together, discussing the merits of transferable COEs and the price of golf club memberships. But none who lived through those years will ever forget them.

Dr Winsemius identified deteriorating industrial relations as the greatest threat to Singapore's economic development. As he wrote:

"Present industrial relations will further contract instead of expanding economic activity There is not much fantasy needed to forecast what is going to happen if this situation cannot be improved quickly. If the basic conditions for economic development do not come about quickly, it is even a tremendous risk that the Singapore Government invest its reserves in infrastructure to lay the foundation. Nothing will be built on it, and the reserves can only be spent once.

As long as the present industrial relations exist and no upward trend can be seen, investment and effort spent on economic expansion is for the greater part a waste of money and waste of time."

(pp. 116-117)

Fortunately for EDB and Singapore, chaotic industrial relations did not persist. The Government made a massive effort to get its economic development strategy across to the population. It convinced the people that the way to economic development was not riots and upheavals, but rather hard work, discipline and teamwork.

It is no coincidence that the National Trade Union Congress is celebrating its 30th Anniversary together with the EDB this year. NTUC leaders reorganised the union movement, and turned it away from a confrontational view of labour relations to a collaborative one. The unions backed the economic development programme. They supported the Employment Act in 1968, which swept away the rigidities of the old labour laws, gave employers the freedom to hire and fire workers, and by fostering economic growth, gave workers more, not less job security.

By the late 1960s, strikes had dwindled to almost zero. Since then, Singapore has maintained a clean industrial relations record. Impartial professional auditors like BERI assess our workforce to be among the world's best. The contribution of workers and the union movement to EDB's marketing efforts and Singapore's economic growth has been crucial.

COORDINATION WITHIN PUBLIC SECTOR

Within the public sector, the EDB has been able to rely on the willing cooperation of other departments and ministries. The civil service is the provider of many services which businesses depend upon. Contrary to laissez faire dogma, in Singapore a favourable business environment relies on an efficient civil service, not an atrophied one.

The Singapore civil service is quite unlike other older and more deeply entrenched bureaucracies. It is responsive to political direction and national priorities. In Singapore, the expression "civil service" is not a contradiction in terms. When a permanent secretary says "Yes, Minister", he usually means that sincerely.

Over the last 30 years, the different Ministries and agencies have transcended their parochial interests to share EDB's preoccupation with economic development. The philosophy

has been for the civil service to serve the needs of the economy, not to force the economy to accommodate the convenience of a mandarin. If the private sector want to do something, the onus is on the civil service to justify why it cannot be allowed. Vigilant regulation is essential, and pays off handsomely, as the recent BCCI case demonstrated. But it must be done with a sure touch.

This sense of corporate mission was a considerable achievement, but in the early years several factors made it relatively easier.

- (a) The scale of activities was smaller, so the EDB as a one-stop agency was responsible for a wider range of services to investors, such as providing industrial estates. These have progressively been hived off to other agencies like JTC.
- (b) The entire civil service was guided - one might say ruled with an iron fist - by a small and tightly knit group of key ministers and senior civil servants. They were very close, far more than mere colleagues. Whichever ministries and departments they were in charge of, they shared the same world view and acted in concert with one another.
- (c) Economic growth was so urgent a priority that only a very intrepid or obtuse bureaucrat would dare to interpose obstacles to a development policy or project.

The Government can no longer operate in quite the same way. The scale is larger, the activities have grown more complex. More people have to be involved in the decisions - both within the civil service, and outside among the private sector. While economic development is still a priority, our circumstances are no longer desperate. There is more room, and sometimes temptation, to argue for policies on non-

economic grounds, even if there is a risk that the policy may hinder economic growth.

The challenge for the public sector is to adapt to this new environment and mode of operation, while retaining the ability to act decisively and focus clearly on key objectives like economic growth. The civil service must grow mature, but it must never become arthritic.

This is one reason why the EDB can never be just a routine administrative outfit. The EDB must always dare to dream. It needs access to and attention from the top levels of the civil service and the political leadership. From time to time we cannot avoid decisions which trade off economic growth for other social objectives. But we must take them fully understanding and accepting the implications, and not in the vague hope that no cost is involved.

EDB - THE NEXT LAP

The EDB too must constantly adapt itself to changing conditions. It has not succeeded for 30 years by doing more of the same thing. Otherwise, the EDB would still be issuing Pioneer Certificates for companies making condensed milk and chewing gum, and Singaporeans would still be living in squalor and slums. Instead, the EDB has shifted from promoting labour-intensive industries to capital- and now knowledge-intensive activities. It has broadened from promoting manufacturing to including service activities, such as Operational Headquarters and R&D, among its targets. It has taken a direct hand in upgrading the skills of Singaporean workers by setting up training centres, first with Tata of India, Rollei, Brown Boveri and Philips of Europe, and subsequently with the Japan Singapore Technical Institute, the German Singapore Institute and the French Singapore Institute.

As Singapore has prospered, we have raised our targets. We can now realistically aim to raise standards of

living in Singapore to developed country levels. The basis of Singapore's competitiveness will have to change. We used to offer lower production costs than the developed countries. Now we must try to match the capabilities of the developed countries in selected areas of services and manufacturing.

EDB will have to focus on three areas. In manufacturing, EDB must promote comprehensive capabilities in specific niches, rather than individual projects. For example, we are the dominant producer of Winchester disk drives in the world, accounting for more than 50 per cent of world output. But our strength is not just in the number of disk drives exported. It is in the breadth and depth of the industry in Singapore. We offer a whole range of supporting industries - surface mount technology devices and assemblies, die castings, and precision machined and stamped parts. We have skilled workers and engineers who know the disk drive business. Industry leaders like Maxtor, Seagate and Conner are beginning to do some of their design and development work here. Singapore has become the natural site for any new disk drive manufacturer setting up production, and for any existing producer planning to design and produce the next generation of his product.

Our advantage in disk drives was neither inherited from mother nature nor preordained. It was a man-made competitive advantage, created by EDB's efforts. We still need to build on this advantage. Disk drive manufacturers have started production facilities elsewhere in the region, especially Penang and Thailand. To stay ahead, we must attract firms making key components of disk drives such as the disk media, magnetic heads and spindle motors. We need to develop further the skill and technology level of the industry, to get more of the product design work done locally, perhaps by setting up a Magnetic Technology Centre. But we have built up a strong position, which will not be easily eroded. EDB needs to do the same in other industries as well.

Secondly, to overcome Singapore's fundamental limitation of size, EDB must go international. In the last few years, the EDB has made a start with the Operational Headquarters Programme. It is now actively and successfully promoting the Growth Triangle, with Batam and Bintan in Indonesia and Johor in Malaysia. Further afield, EDB has an International Direct Investment programme, to encourage Singapore companies to invest in overseas companies for access to technology, market and resources. Our companies must think beyond the physical boundaries of the island, to leverage the skills we have to offer in overseas projects which bring back returns to Singapore.

Thirdly, upgrading technology depends on education and manpower development. Professor Lester Thurow of MIT has pointed out that all the key industries of the future are brain power industries - micro-electronics, IT, biotechnology etc.. Furthermore, technological progress now depends less on inventing new products than on mastering process technology - how to make the product better, using robots, computers and sophisticated manufacturing processes. To do well in inventing new products, we need only educate a minority of the population. But to master process technology, the mass of the population must be educated and numerate. Without high quality workers there will be no high quality products.

This is a national priority which even goes beyond the Ministry of Education. We are planning to increase university intakes, build a fourth polytechnic, and expand opportunities for continuing education. EDB's role in this will be two-fold:

- (a) To build up its existing training centres and institutes into centres of excellence in core skill areas which are critical to a wide range of industries, such as precision engineering, electronic design and development, automation and mechatronics.

- (b) To tap its well-established international network to attract talent from overseas to supplement our indigenous manpower. The EDB will launch an International Manpower Programme later this year, and will be strengthening its offices in US and Europe to take on this additional responsibility.

PHILOSOPHY UNCHANGED

While these are some of EDB's new priorities, EDB's fundamental philosophy remains unchanged.

EDB's objective is to maximise not just profits for investors, but value added for the economy. We want companies to be profitable in Singapore, but our objective is not just to maximise company profits, and especially not at the expense of Singaporeans. Our objective is to optimise the return to all resources used - labour, land, investors' capital, government infrastructure. Far-sighted companies have long recognised that in the long term, maximising value-added is a superior strategy. Labour is not just a cost item, but part of the team. The company does best when it generates high returns not only to its shareholders, but also to its workers and the community at large. How much more so must this be for a nation.

EDB does not depend only on preexisting favourable conditions. It goes out to identify and create opportunities, and exploits any lucky breaks which come its way. Singapore is a favourable place to do business, because we have created this competitive advantage - it did not happen by itself.

In promoting investments and projects, EDB tries to develop core skills and basic capabilities which maximise the value of the Singapore worker, beyond the limited lifespan of any product. The more trainable and flexible the Singapore worker is, the better he will cope with changes in markets and technologies. If the workers have the right core skills and

experience, and if Singapore has developed the right mix of supporting industries, then even if one product is phased out, the skills and capabilities can be retained and further exploited to develop fresh waves of industries.

As Dr Winsemius wrote back in 1961:

"From the side of the manufacturers, it should be realised that they have to find new opportunities, new markets, better technique and organisation. It is only fair that once an improvement has been made in a certain branch of industry, labour should have its share in terms of higher wages. Therefore, a constant but well organised pressure from labour to get higher wages is logical Trade union leaders will make an important contribution to the industrial programme if they kept in mind that an increase of real wages - either direct or indirect - is in the long run only possible through increased productivity Finally, it should be emphasised that the wages in the future Singaporean export industries are in the long run not paid by the employers, but by their overseas customers. The willingness of the latter to purchase Singapore's products depends not on the needs of Singapore nor on the wishes of its employers or its trade unions, but on the price and quality of its products." (pp. 115-116)

CONCLUSION

These words remain as fresh and valid today as when they were written 30 years ago. As we look back over these years, we can be justly proud of what we have done. Yet our duty is still to look forward, not back. As Dr Winsemius wrote:

"But Singapore need not be too much interested in who is responsible for what is in the past. The crucial question is: 'Who is going to be responsible for the

future? Who is willing to take the responsibility for the 100,000 unemployed who will be here in a few years' time?' " (p. 117)

The prospects for Singapore in 1991 look infinitely more promising than they did in 1961. We no longer worry about 100,000 being unemployed. Instead we ponder the problems of having more than 200,000 foreign workers in Singapore. From an unpromising start in 1961, via many vicissitudes, we have arrived here. May we venture forth on the Next Lap of our journey with as much resolution, vision, and success as the first generation did.

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