PRIME MINISTER'S SPEECH AT THE PAP THOMSON BRANCH 21ST ANNIVERSARY CELEBRATION, ON WEDNESDAY, 17 NOVEMBER 1976

Decisive events in settling the leadership of China, the election of Jimmy Carter as president of America, and the apparently unchanging Soviet leadership, these three centres of power set the new framework for international developments.

In China, the developments seem to favour a continuation of stable government-to-government relations between China and Southeast Asia. In America, we shall have to wait several months to know the mettle of the new president and the men he will appoint as his principal secretaries, especially secretary of state (foreign affairs) and secretary for the treasury (financial and economic affairs).

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But already we know that economic recovery in America is not as good as was forecast. Led by consumer spending, the recovery was not followed by American investments in new industrial machinery. Political uncertainties, like the policies of a president then awaiting election, and the prospect of another

increase in the price of oil have not helped business confidence. When industrial countries like America slow down their economic recovery, when still facing heavy unemployment of more than 7.5%, the government will slow down overseas investments to keep more jobs at home.

The momentum of Singapore's economic recovery this year will carry on into the middle of 1977. But unless American economic recovery gets over stickiness, the effects on Japan and Western Europe will be bad. And this is also bad for us.

There is a danger of projectionist policies in trade to protect jobs. Some countries of Western Europe, especially Britain, face balance of payments deficits against Japan. So the E.E.C. has got the Japanese to agree to voluntary restraints on exports to E.E.C. under threat of tariffs and quotas.

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In the five years before the oil crisis, end 1973, our rate of growth was between 12-14% per annum. Since 1973, it has been between 8% for 1974, 4% for 1975 and probably just over 7% for 1976. We must hope that the present climate of unemployment and protectionism in America and Western Europe will pass with a return of business confidence under a new Carter administration in

America. Otherwise we may not be able to sustain an economic growth rate of 6-8%.

We must be realistic in assessing the future. We must prepare ourselves for the worst that can happen, lower our expectations, and gear ourselves for that extra effort.

A recent survey by EDB and Ministry of Finance officers with a cross section of manufacturers has revealed some interesting facts. Where employers are also manufacturing in Hong Kong, like textiles and garments, they complain that Singaporeans have not got that same drive which the Hong Kong worker brings to his job. Japanese employers said that after 2 to 3 years' training, Singaporeans believe they are fully skilled when the truth is the Singaporean's productivity is only 75% that of the Japanese skilled worker. American and West European employers report that although Singaporeans have only 75% the level of productivity of their workers in Western Europe and America, the Americans and Europeans believe that after several more years experience under proper supervision, spurred by appropriate incentive bonus schemes, Singaporeans can reach 95% of the productivity of American or European workers.

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We cannot do much to change the external situation. It may become less favourable or more favourable for investments. We shall know within 1 to 2 years. But we can improve our internal situation. Our workers have to strive to reach the competence and skills and the productivity of the Japanese, Western European or American worker.

Parents cannot expect and must not encourage their children to select jobs which they and their friends consider socially desirable. In these years of slower economic growth, we must consolidate our workers' skills. We must improve our education system and produce more trained workers and technicians and less students expecting jobs as clerks. Most important, we must dispel the belief that our sons and daughters can wait for better paid, cleaner and easier jobs, preferably in air-conditioned offices or hotels.

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To be hard headed is to avoid disappointment. Singaporeans have always been quick to react to changed circumstances. That is why we have done better than most in meeting the problems of the oil crisis with less recession and unemployment than Hong Kong or Taiwan. We can continue to do better than most. But the Government must adjust its policies to encourage investments, to increase economic co-operation in ASEAN countries. Our traders and entrepreneurs must seek new markets, especially in the oil-producing countries.

And our workers must respond to these changed conditions by increasing effort, resulting in higher skills and productivity.

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