

PRIME MINISTER LEE KUAN YEW'S EVE OF NATIONAL DAY MESSAGE (8 August 1989)

The economy looks good this year. The 9.1% growth in the first six months was broad-based. Although external demand is weakening, the Ministry of Trade and Industry (MTI) have revised their growth forecast for 1989 upwards (from 6% to 7%) to 7.5% to 8.5%.

Every year in July, I get the mid-year reports from each ministry. This year is exceptional, they were all upbeat. I shall give two examples of progress to show how well we have done up till now, despite our many limitations.

Our seaport: In 1988, Singapore was the world's busiest port in shipping tonnage, surpassing Rotterdam. Amongst container ports, we overtook Rotterdam and Kaohsiung to become the world's second busiest, after Hong Kong. At the second Asian Freight Industry Awards ceremony in Hong Kong in January this year, we were awarded the Best Seaport in Asia Award and named the Best Warehouse Operator and the Best Seaport Terminal Operator.

Let me explain what this means. Many leading seaports of the 1950s, like London, have declined. And it is not simply because they have failed to modernise and upgrade port facilities. It is the quality of management and the work attitudes of the workers which decide the competitiveness of a seaport.

Next, our airport: Changi achieved the same excellence. Three publications, the Business Traveller, the Travel Trade Gazette Asia and PATA Travel News (Asia/Pacific) put Changi as the world's best airport. Executive Travel put Changi as the world's second best. Euromoney in April 1989 put Changi as the most efficient for luggage retrieval and second best for passport control and immigration.

I am especially proud of Changi. Our original plans were to build a second runway at Paya Lebar. Unfortunately, the flight path would have been over the city itself.

So when in 1973 the oil crisis slowed down the increase in aircraft landings, I asked the planners to see if it was possible to shift the airport from Paya Lebar to the old Royal Air Force (RAF) Airfield at Changi. A study team reported in May 1975 that we could do it without affecting growth of air traffic, provided we continued to upgrade Paya Lebar, whilst building Changi, and write off \$700 million worth of infrastructure at Paya Lebar when we move. Despite the gloomy outlook after the fall of Saigon in April 1975, we decided to proceed and invest in the future. The decision proved correct. Changi International Airport is a strong asset for our airline business, tourism, and aerospace industry.

Changi's top rating is not only because of high quality infrastructure but also because of high quality management which has continued to upgrade by incorporating the latest advances. And the infrastructure has been used to best advantage because our workers are well trained, productive, and work with management as a team. This is how Changi has achieved top ranking.

It is this keenness that gives Singapore our competitive edge. It is in the spirit of a people. This comes from our immigrant culture. Our forefathers had left their homelands to make good in a strange land and were determined to succeed, keen to achieve their best. Their determination to work hard and to achieve became a habit which they passed on to their children. But after the second generation, and more so after many years of comfortable growth and prosperity, we have tended to take things for granted. So an infusion of new blood is good for us.

In the past ten years, we have started to lose increasing numbers of our better educated to Australia, New Zealand, Canada and the United States (US). They have taken Singaporeans from our top 25%.

With cheap air travel, thousands of Singaporeans visit these countries on holidays. Those who are thinking of emigrating can assess their prospects before they make up their minds, meet friends who have settled there, even arrange jobs and homes. From the number of Singaporeans granted Good Conduct Certificates before emigration, we estimate that about 1,000 families per year emigrated in the 1970s, increasing to 2,000 in the early 1980s, and increasing further to over 4,000 in 1988. The percentages of Chinese and Indians leaving (Chinese 78%, Malays 4%, Indians 15%, others 3%) are larger than their percentage share of Singapore's present multiracial balance.

Singapore's economy is too open for us to shut our doors. Instead, we must attract well-educated people from around the world to Singapore. Every year, we send teams of Public Service Division and Economic Development Board (EDB) officers to comb the universities in America, Canada, Britain, Australia, and New Zealand. They recruit young men and women, mostly Asians, who want to work and live in Asia. But our teams have to compete against the recruiting officers of the big multinationals, who spot talent amongst the students, and keep track of the high performers. We have been able to get about 100 a year. Some are of high quality. All are above our average. But because they are emigrants, all have a keenness for hard work and success. They have that cutting edge.

But these few university graduates recruited abroad cannot make up for our loss from emigration. After several years of reflection, we have decided to widen the pool of recruits by admitting those with O-Levels. Similar standards will now apply when considering the entry of spouses of Singapore citizens and in granting of permanent resident (PR) status.

The offer we made to blue- and white-collar workers in Hong Kong got a tremendous response. But do not be deceived. In the last four years, over 1,000 Hong Kong professionals have already obtained PR approvals, but only 35 have come. Incomes in Hong Kong are 25 to 30% higher than in Singapore. Of the 300,000 application forms we recently distributed, we hope several thousands will eventually come to Singapore. But if things go well in Hong Kong, only several hundreds may come. But whatever the numbers, they will be good for us. But they will not equal what we are losing by emigration. And do not forget our very low birth rates where parents have not replaced themselves. The government will maintain Singapore's present multiracial balance. If this immigration from Hong Kong increases the percentage of our Chinese population disproportionately, the Government will

restore the present multiracial balance by increasing immigration of Malays and Indians from the region who meet the same criteria. No group will be threatened or disadvantaged.

But I was surprised to get feedback from Members of Parliament (MPs) that there was concern at the prospect of keener competition from hard-working, shrewd and resourceful Hong Kong workers and small businessmen. As far back as I can remember, we have never been afraid of newcomers from Malaysia or elsewhere. Singapore makes a living by competing in the international marketplace. We have never been protectionist. That is why we have succeeded. The Hong Kong workers will enhance the quality of our workforce. They will help attract investment to Singapore, to create more jobs and business for all.

We must encourage selective immigration into Singapore as part of a long-term plan. We must make up what we are losing to other countries, and also make up for the shortfall in babies born.

People must feel that Singapore is worth being part of and worth defending. Otherwise, we cease to exist. We cannot close our doors to prevent Singaporeans from leaving. But we can make Singapore a vibrant and thriving society, with opportunities for a rewarding and fulfilling life. We can keep Singapore a healthy and safe place where parents can bring up their children with traditional morals and values. We owe it to ourselves and our children to make sure that they need never leave Singapore because of a fear that the future is bleak. And we shall do this best by continually attracting talented and dynamic people to join us in Singapore.

SUMMARY OF PRELIMINARY ECONOMIC INDICATORS

Real Gross Domestic Product

The Singapore economy grew at a healthy rate of 9.1% in the first half of 1989. This is lower than the 11.3% for the same period last year. This reflects weaker external demand which grew at a rate of 11.4% compared to 30.8% in the same period last year.

All sectors, except for construction, showed steady growth. The financial and business services sector grew the fastest at 12.8%, followed by manufacturing at 9.8%, transport and communications at 9.4% and commerce by 8.3%. The construction sector declined by 2.2%, which is less than the 7.2% contraction for the same period last year.

Outlook and Forecast for 1989

The 9.1% growth in the first half of 1989 was higher than our long-term sustainable growth rate of 4 to 6%. External demand will determine the course of the economy for the second half of the year. Although growth for the second half is expected to be slower, overall growth for the whole year is expected to be higher than the forecast of

6 to 7% made at the beginning of the year. Barring any major mishaps, MTI's revised forecast is for a growth rate of between 7.5 and 8.5% this year.

The business community shares similar sentiments. The latest survey of business expectations shows that manufacturers and businessmen in the services sectors expect the business situation in the next six months to be favourable, particularly in the transport and storage and real estate sub-sectors.

Changes in Employment

Manufacturing employment grew by 8,300 jobs. Employment grew by 6,400 and 4,800 jobs in the financial and business services and commerce sectors respectively. 2,500 jobs were added to the transport and communications sector.

Productivity

Overall productivity grew by 4.2% which was the same growth achieved a year ago. Manufacturing productivity increased by 2.3% compared to 3.2% a year ago. Productivity in the commerce sector rose by 3.9% compared to 10.9% for the same period last year. Transport and communications productivity grew by 5.1% compared to 7.2% last year. Only productivity in the financial and business services sector grew faster - by 6.3% compared to 4.7% a year ago.

Manufacturing Output and Investment

The manufacturing sector expanded by 9.8%, slower than the 21.8% a year ago. This is due largely to a slowdown in the electronics industry which grew by only 7.4% compared to 33.4% in the same period last year. However, there was higher growth in the machinery (including oil rig building) and shipbuilding (and other transport equipment) industries - 30.3% and 30.1% growth compared to 15.6% and 10.2% respectively for the same period in 1988).

Investment commitments in manufacturing amounted to \$970 million in the first half of 1989. The bulk of the commitments were in the chemical and electronics industries.

Transport and Communications

The transport and communications sector recorded 9.4% growth compared to 11.0% a year ago. Total sea cargo grew by 10.9%, slower than the 24.5% growth a year ago.

Commerce and Tourism

The commerce sector grew by 8.3%, slower than the 17.6% achieved a year ago. This was mainly due to lower entrepôt trade activities as re-exports grew by 12.4%

compared to 38.7% a year ago.

Visitor arrivals to Singapore grew by 14.7% compared to a year ago. ASEAN remained the largest source of visitors (26%), followed by Japan (17%) and Australia (9%).

The occupancy rate of hotels averaged 82.4% compared to 75.4% a year ago. Hotel room tariffs increased by 28.7% compared to 1.3% last year, reflecting the tightness in hotel room supply.

Construction

The construction sector declined by 2.2%. This is less than the 7.2% contraction for the same period last year. Contracts awarded, a forward indicator of future construction activities, came up to \$2.4 billion compared to \$1.9 billion a year ago, a 30% increase. Contracts awarded by the public sector increased by 25.3% while that by the private sector increased by 34.2%.

Financial and Business Services Sector

The financial and business services sector grew by 12.8% compared to 8.0% last year reflecting strong stock-broking activities and faster expansion of domestic credit and offshore interbank lending activities. This sector is expected to be the leading growth sector for 1989.

Singapore's External Trade

Total trade in nominal terms grew by 12.7% which is less than the 33.6% achieved for the same period last year. Total imports grew by 13.3% and total exports by 11.9%. Both non-domestic exports and re-exports grew slower, by 13.4% and 12.4% compared to 42.9% and 38.7% respectively for the same period in 1988. This reflected lower demand for computer peripherals and disk drives as well as chemical products and also lower re-exports of crude rubber and non-ferrous metals.

Consumer Prices

The Consumer Price Index rose by 1.9% compared to the same period in 1988. This is due mainly to increase in prices for hawker food, taxi fares, road taxes, cigarettes (due to increase in customs and excise duties) and fresh pork.