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SPEECH BY PRIME MINISTER MR LEE KUAN YEW AT THE LUNCH HOSTED BY FOREIGN ECONOMIC RELATIONS COUNCIL OF TURKEY ON FRIDAY, 18 MAY 1990, IN ISTANBUL

The dramatic events in Eastern Europe and the Soviet Union in 1989 have changed the geopolitical landscape of the world. It will be many years before their impact and implications are fully understood and felt.

2 One immediate consequence is the great economic opportunities that have been opened up. The East Europeans and Soviets are eager to plug into the free market economies of the West, to acquire the technology and with it the consumer goods and material comforts that their peoples desire. There is now widespread recognition that the world is interdependent, that peace, security, and economic growth require the cooperation of all major countries.

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3 Singapore, together with the three other Asian Newly Industrialising Economies (NIEs) - Hong Kong, South Korea and Taiwan, have pursued free-market, export-driven policies since the 1960s when they began indutrialising.

The US and to a lesser extent Western Europe, have been the engines of growth by providing the capital, technology and markets for their exports in the initial phase of industrialisation.

4 The Japanese have also invested in the NIEs and in the Association of South East Asian Nations (ASEAN)*, particularly Indonesia, Malaysia, Thailand and the Philippines, initially, to take advantage of cheaper raw materials and abundant labour to sell to regional markets and the West. In the late 1980s, because of revaluation of the yen since 1985, the Japanese have increased their investments, both in quality and quantity to produce goods which are now partly exported back to Japan. The NIEs in turn have now relocated their labour intensive industries to ASEAN since 1985 because of currency revaluation and labour shortage which has pushed up wages. Japanese investment flows to these four larger ASEAN countries have been growing at an annual rate of almost 90 per cent for the last two years while NIE investment commitments jumped by 330 per cent in 1988 alone. Thailand, Malaysia and Indonesia have now become semi-NIEs, and are rapidly catching up.

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5 Both the Asian NIEs and the ASEAN semi-NIEs have begun to deregulate and liberalise their economies. They are opening up their financial markets, including their banking and securities businesses, to foreign participants. This freer economic environment has further increased investment flows from Japan, the US and Western Europe, and led to rising demand for financial services. The pace of industrialisation is brisk because of their high savings rate. The underlying momentum for growth is now very strong.

6 Where does Singapore fit into this region of dynamic growth? Her role has been that of a catalyst for the extension of American, Japanese and European MNC investments into ASEAN. Initially, these MNCs were reluctant to invest beyond Singapore. They came because of her strategic location, her excellent port and airport, her state of the art telecommunications which make Singapore an ideal distribution and services centre for the region. After establishing bases in Singapore, the MNCs found they had experienced local managers and supervisors to train staff in Malaysia and Thailand and provide engineering support to new factories there. Singapore is thus a convenient spring board for the countries around it and over 100 MNCs originally based in Singapore have established themselves in Malaysia and Thailand, and now in Indonesia.

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7 The industrialisation of her larger neighbours benefits Singapore. We have become the training, service and back-up centre for MNCs as they expand in the region. We provide banking and financial services. These activities increase jobs and wealth in the region and provide more and more people with a stake in peace, stability and growth.

8 The NIEs and ASEAN do not want to be dominated by the Japanese and Americans. They want more ties with Western Europe and to attract European investments, technology and management. If, because of preoccupations with Eastern Europe, Western Europe neglects this fast growing region, Japan and the US will gain so great in a lead in the area that Western Europe will find it very difficult to get back as a significant participant. To compete successfully with the US and Japan, Western Europe must maintain a strong presence to tap the resources and exploit the comparative advantage of individual economies of the NIEs and ASEAN.

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9 I understand that Turkey has since 1980, pursued market-oriented and export-led economic policies. Between 1981 - 1987, Turkey grew at an annual average of 5.5 per cent. Export growth has been spectacular, expanding from 5.2 per cent of GDP in 1980 to 16.5 per cent in 1988.

10 We can expand the existing economic links between our two countries. For 1989 total trade was only US$60 million. Two Singapore companies have set up joint ventures to build and manage hotels in Turkey. Turkish Airlines and Singapore Airlines each operate three services weekly between Singapore and Istanbul. We should be able to do more than this.

11 Turkey straddles both Europe and Asia and Singapore welcomes her to take advantage of this unique position to strengthen the ties between Europe and the NIEs and ASEAN. You can source for competitively priced, high quality goods - microelectronics, computers, domestic appliances, in the NIEs and ASEAN for your own markets and those on the other East and West European countries. Singapore can be the entry point for your firms wanting to maintain a presence in the NIEs and ASEAN. I look forward to our two countries strengthening our ties, particularly in trade and tourism to encourage greater people to people contacts.

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