Release No.: 29/AUG

02-2/92/08/15

SPEECH BY SENIOR MINISTER AT THE NATIONAL DAY DINNER AT TANJONG PAGAR COMMUNITY CENTRE ON 15 AUG 1992

Singapore's high ranking by international risk rating agencies like Beri and the World Competitiveness Report is widely known and has cheered Singaporeans. But Singaporeans must at the same time be aware that we also face serious risks of setbacks. And this is being also evaluated by such agencies.

2. The Nomura Research Institute in their Asia Focus Report of August 1992, just published, has a section on Singapore. They had investigated some views on the "doubtful future of Singapore". They were looking at it from a stock market investor's point of view. They examined the view given, no doubt by share broking firms and their economists, that the recent stagnation on the stock market was not just due to cyclical factors but more to structural problems which confront Singapore. The three structural problems were:

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(1) Other ASEAN countries were taking over the functions of Singapore.

(2) Foreign capital plays a significant role in Singapore compared with Hong Kong. Hong Kong's home grown capital now plays a significant role in China. Increasing business opportunities in the neighbouring countries do not always benefit Singapore because it is by foreign capital.

(3) Foreign investment in ASEAN, including that by Japan, has been decreasing since 1991 for structural reasons and this will slow down ASEAN's growth which in turn decrease Singapore's role especially in the service sectors.

3. The general view is that since Singapore has developed its economy by inviting foreign capital, "the growing industrial development in the neighbouring countries may sometimes leave Singapore devoid of its former functions."

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4. This report by Haruo Nakayama assesses Singapore's reaction to the regional economic developments and said more listed companies aim to achieve growth through active investments in the region. NatSteel is utilising its technological prowess and raw materials procuring power through capital participation in a Malaysian electric furnace company. A ship repair company,

i.e. Keppel, has begin to increase capacity in Vietnam, the Philippines and India. Four major banks are responding to the growing business opportunities either by expanding the branch network or through equity participation. CSA, a computer software maker, is operating in Malaysia, Hong Kong and China.

5. The Nomura report concluded that "Singapore is likely to grow by playing the role of bridging its neighbours and developed countries."

6. The lesson for Singapore is that we cannot rest on our laurels. We cannot stand still. As we progress, other countries set out to catch us, and they are catching up. So we have to move ahead, on to higher skills, to higher value added, to higher technology, to more efficiency, to more competitiveness. This is what the Prime Minister emphasised in his National Day Message, Singapore remaining competitive.

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7. The Prime Minister has also pointed out the dangers of yielding to new pressures to save less or stop over-saving and spend more, to subsidise more for health etc. I do not believe that it is the majority of Singaporeans who are pressuring for lower savings and more spending or more subsidies for health. The pressures come from the pressure groups, like the newspapermen, who want to test out new ideas to stop over-saving because Nobel prize-winner said so.

They want our savings used used in ways they think will be better. This same call to cut back CPF savings also come from economists working for stock brokers and investment managers who would like to take over the management of these funds in CPF now handled by GIC. They believe they can earn better returns from the funds and their commissions.

Similarly, I am sure the majority of Singaporeans do not want their individual Medisave Accounts to be put together into a common kitty or communal pool, because pooling medisave account is what the government must do to meet the costs of a more heavily subsidised health service, by providing the same one class of treatment in a National Health Service. This must result in long queues and poor treatment.

Many pressure groups are testing out the limits on a relatively new Prime Minister and his new Cabinet. They want to push and go as far as they can in changing long settled policies.

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8. This is part of a generational change of leadership. If I were still PM and in charge, I doubt if the press or economists working for stock brokers or fund managers will say we are over-saving for the next generation and be pressing for less savings and more spending or more funds for private investments. They know my limits giving in basic policy. And I doubt the Business Times would have used illegally obtained or leaked official figures.

9. This is a time of testing for the Prime Minister and his team; and the testing will go on for some time; until these pressure groups that he and his younger team have their firm limits beyond which there will be no give.

10. By the next election, I believe there will be a certain acknowledgment and respect for these limits. Then there will be a bonding between leaders and people. At the moment the level and nature of this bonding is being probed and tested before it is forged.

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