

Goh Chok Tong: Developments in Singapore within the last 10 years

Speech by Mr Goh Chok Tong, Senior Minister of the Republic of Singapore and Chairman of the Monetary Authority of Singapore, at the Singapore International Chamber of Commerce's (SICC) 170th Anniversary Dinner, Singapore, 25 May 2007.

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Distinguished guests

Friends and Fellow Singaporeans

I congratulate the SICC (Singapore International Chamber of Commerce) on your 170th Anniversary. You are one of Asia's oldest chambers of commerce, and have contributed much to Singapore's development.

Ten years ago, in May 1997, I spoke at your 160th Anniversary Dinner. Little did I know then that within months, the Asian Financial Crisis would erupt and devastate many countries in Asia, plus a few outside. Singapore suffered collateral damage but our economy was relatively unscathed. What was the big lesson learnt? It was not just about having a flexible exchange rate or better supervision of the financial industry. It was: get your fundamentals right, build a strong economy with good governance. Then, you will better survive any unexpected financial or economic earthquakes.

Following the Asian Financial Crisis, the world was hit by the dot.com bust and the September 11 attacks in 2001. The global economy slowed down and ours went into recession. Within one year, 23,000 jobs were lost. Just as we were recovering, we were hit by SARS (Severe Acute Respiratory Syndrome).

But in typical Singapore fashion, we kept our cool to battle the crises and, at the same time, strategise to meet the larger challenges posed by globalisation. We formed the Economic Review Committee (ERC). The ERC came up with a comprehensive strategy to restructure, upgrade and transform our economy. The government accepted most of the ERC's recommendations. We have since cut corporate and personal income taxes, reduced business costs, made wages more flexible, restructured the manufacturing sector, invested more in R & D (Research and Development) and revamped our education system.

Our economy is now stronger and more broad-based than ever before. In 2006, our GDP was S\$210 billion, 55% bigger than in 1998. Annual growth rate over the past 3 years averaged 8%, double the figure for the period between 1997 and 2002. This year, jobs are chasing after people.

Two weeks ago, I attended the Gala Dinner for Merrill Lynch's inaugural "Pan Asia Rising Stars Conference". Several foreign bankers and business executives I met – some had not visited Singapore for many years and a few were here for the first time – told me that they were surprised and excited by the "buzz" in Singapore. It is not just the business buzz of the financial industry, the Integrated Resorts, the sizzling property market, and so on. It is also the glitz of our nightlife and our arts, culture and restaurant scene.

How have we managed this quick and dramatic rebound?

First, we have a government which has the capacity to think long term and implement tough policies to resolve problems and transform the economy. The government is not bogged down by disruptive and unproductive domestic political pit fights. Our basic economic strategy is right; our implementation good. We are moving up the value chain to more technology- and knowledge-intensive manufacturing. We are growing our services sector in areas like tourism, healthcare, education, banking and insurance. We are pumping money and talent into R & D. We have enlarged our economic space through FTAs (Free Trade Agreements) and moved into new areas like the Middle East. Foreign Minister George Yeo has just visited Libya and Yemen, the first Singapore Minister to do so. At the right time, I will go there too to strengthen our relations. Minister Mentor is himself engaging Russia and Kazakhstan to open up business opportunities. And if there are opportunities in North Korea, we will go there too. I dare say that our Ministers are not just good at forging relations but also enterprising like businessmen.

Second, we have intelligent, hard-working and adaptable people. They know the world has changed and is constantly changing. They know they must run ahead of the pack in order not to be eaten by

the proverbial lion. Some Singaporeans grumble and complain about the government and its tough policies but basically, they are nagging the government to listen to them more. Singaporeans are pragmatic and disciplined. They are prepared to take bitter medicine prescribed by the government. If our people resist change like they do in France and Germany, our economy would be sluggish and unemployment high.

Investors and international analysts have noted the way Singapore has reinvented itself. Many foreign leaders have also studied Singapore to discover the secret of our success. The Foreign Editor of a German newspaper I met earlier this week said that he was struck by Singapore's development. So he could not understand why many Singaporeans he had interacted with talked about Singapore's survival in the same breath. This was his first visit to Singapore. He was not fully familiar with our history, geography and geopolitics. I confirmed that indeed we worried constantly about our future. I explained that as a small country with only a short history, we have an acute sense of vulnerability. I likened Singapore to a small boat crossing the vast ocean, fully exposed to the elements. So we have to be alert to changes in the wind and current directions, and any signs of danger.

No matter how well we have done up to now, being vigilant and prepared will continue to be our approach to life in a changing environment.

Ten years ago, before the Asian Financial Crisis, ASEAN was a preferred investment destination for global investors. Today, it is not the only choice. Moreover, competition for high-value investments will grow keener. China will move from low-cost manufacturing into higher-value industries. Shanghai will become a big financial centre, first serving the Chinese market, and later, an international financial centre. Mumbai and Dubai also aspire to be international financial hubs. India will grow its manufacturing sector in a big way and make its presence felt in the export market. All countries, including Singapore, will have to adapt to these realities.

Domestically, we have other long-term headaches. We are facing a demographic crunch, with a rapidly-ageing population and a declining birth rate. Our people are increasingly mobile. In a borderless world, ensuring that our best remain rooted to Singapore, physically and emotionally, will be a challenge.

Despite these challenges, I am optimistic about our prospects. I base my optimism on our fundamentals. We have two basic strengths – good governance and our ability to nurture and attract talent. Good governance and talent form a virtuous cycle for sustaining economic growth. Let me elaborate.

First, good governance. A World Bank Institute report released in September 2006 ranked Singapore among the top 10% of countries around the world with good governance. Good governance is possible only if you have an honest, capable and committed government. In our case, the government must, in fact, be exceptional to overcome the exceptional challenges faced by Singapore, given our land and space constraints and geopolitics.

For the next decade at least, I do not see any danger of a drop in the quality of our governance. The new team under Prime Minister Lee Hsien Loong is firmly in place. It has the drive and solutions to bring our economy forward and the wisdom and compassion to help all Singaporeans. The government is paying particular attention to those in the lower-income group to help them and ensure that they, like the rest of Singapore, benefit from globalisation. It is a strong and pragmatic government with integrity and sound values. It gives the country a clear sense of direction, anticipates and solves problems, rallies the people towards common goals and takes care of all Singaporeans.

The challenge for Singapore is how to keep on producing an exceptional government. Without exceptional government, Singapore will lose its influence internationally, become a mediocre country and be marginalised.

This brings me to the second critical success factor – talent. While good governance provides the necessary conditions for growth – political stability, social harmony, justice and equal opportunities – what drives the economy and Singapore forward is talent. We need talent in the public and private sectors, in the arts and the social sector, in government institutions, in NGOs and the people sector, and in business and the economy. Countries now actively compete for talent to power their economy. They want to attract foreign talent while retaining their own. Even China which has 1.3 billion people wants to attract back its overseas Chinese talent and import foreign talent.

To ensure that Singapore continues to have a strong talent base, we have to build, attract and retain talent. We will continue to invest heavily in our people, especially our young, and equip the next generation with the right skills and cutting edge knowledge. We will continue to welcome global talent.

To enhance Singapore's magnetic pull, we are developing Singapore into a truly global city – a “cool” and “happening” place, with social and cultural vibrancy, good educational institutions, clean, green and safe environment and iconic international sporting events like F1 Grand Prix. But the strongest pull in this magnet is economic growth. Without economic opportunities, talent will not come or stay.

What of the future?

We did not foresee the Asian Financial Crisis coming in May 1997. Despite keeping a close watch, we may still miss something or misinterpret a blip on the radar screen. This is why I have emphasised the importance of maintaining the virtuous cycle of good governance and talent to generate growth. This is the best strategy to face whatever challenges ahead. Sustaining this virtuous cycle must be the task of all Singaporeans.

Let me now say a few words about how I see the role of the SICC in Singapore's future development.

Given the diverse markets in which SICC members operate, your chamber can play an important role in helping our companies internationalise and seize global opportunities. The SICC can help your members move into new areas of growth like the Middle East. I am glad to note that more links and collaboration are being forged between SICC and your counterparts in the Middle East. We have just witnessed the signing of MOUs between the SICC and the Riyadh and Abu Dhabi Chambers' of Commerce and Industry.

I also encourage SICC to collaborate with IE Singapore and the Singapore Business Federation to organise more networking platforms to forge partnerships between foreign and local companies. For instance, given our knowledge and connections, Singapore can serve as a bridge for Middle Eastern investors interested in going into China.

Finally, let me once again congratulate the SICC on your 170th Anniversary and wish the SICC and its members continued success.

Thank you.