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**SPEECH BY GEORGE YEO, MINISTER FOR TRADE AND
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NEW SINGAPORE IN A NEW ASIA

A Strong Tide Flowing

1. I visited the four countries of Mercosur recently after an APEC meeting in Chile. Mercosur consists of Brazil, Argentina, Uruguay and Paraguay. Of the four, Brazil is by far the most important to us because of the size of its economy. In the last few years, our bilateral account with Brazil has grown significantly. Both Keppel FELS and Jurong have established shipyards in Rio de Janeiro which now employ more than 10,000 workers. They are involved in converting old supertankers into highly sophisticated offshore platforms called FPSOs (floating, production, storage and offloading units) for Petrobras oil operations in the South Atlantic. Each is a floating oil refinery. Today, the FPSOs built by our shipyards are responsible for 60% of Brazil's offshore oil production. Keppel FELS and Jurong have recently secured another US\$2.5b worth of

contracts for the coming years. Three years ago, I opened the two shipyards. Each shipyard has a small team of Singaporeans there to train Brazilian workers and supervise the work. I was worried for them then. They were far from home, spoke no Portuguese and knew little of the local culture. This time round when I met them, they were at home. Many prattled away in Portuguese and had Brazilian friends.

2. The global tide is changing dramatically. President Lula made a very successful visit to China recently with a large delegation of businessmen. Brazil and China are embarking on major economic projects together. One Brazilian diplomat told me that there are one million square kilometers of arable land in Brazil in the Mato Grosso and elsewhere which can be opened up for cultivation. China is looking to secure long-term food supplies and are willing to help build rail links from Brazil to the Pacific coast. The Brazilian Foreign Minister Celso Amorim thought that the integration of North America from coast to coast by rail in the 19th century would finally happen in South America in this century. China and, to a lesser extent India, are major factors in the new South American calculation. The Mercosur countries are hoping that the prosperity which food exports to Europe in an early period brought them will now be repeated by food and other exports to Asia. President Batlle of Uruguay

reminded me that Columbus was looking for Asia when he discovered America.

3. The re-entry of China and India into the global marketplace is altering global trade flows fundamentally. What we are seeing today is just the beginning. The tides are changing and inexorably gathering force. No continent is unaffected. We have to be very alert to the trends and remember the words of Shakespeare that reading and riding a rising tide well will lead to great fortune but misreading or missing it will land us in the rocky shallows¹.

Half the World

4. Singapore is well-placed to catch this new tide. The combined population of Northeast Asia, Southeast Asia and India is over 3 billion, about half the world's population. Their combined GDP is about a quarter of global GDP today. In PPP terms, it is about a third. Few economists doubt that in the coming decades, Asia's share in global GDP will match

¹ "There is a tide in the affairs of men
Which taken at the flood leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures." (*Julius Caesar*)

that of its population. Looking at it historically, this should perhaps not be surprising because for most of human history, China and India were the largest economies in the world. Up to the early 19th century, the Chinese and Indian markets brought much wealth to Europe and America.

5. The implications are huge not only for countries, but also for companies and individuals. Like the emergence of new poles in a magnetic field, new configurations will emerge, from the biggest things to the smallest. Who could have imagined even five years ago that Chinese New Year would be a public holiday in Indonesia or that Brazilian chicken wings should now dominate our fresh food market?

6. The key factor in China's and India's growth is not cheap labour, although labour is still very cheap in these countries, but the huge reservoirs of human talent which are spilling onto the global marketplace. China alone produces about 460,000² engineers a year and India another 150,000³. Today, only a small fraction of each age cohort in these two countries get into university. In the coming years, many more will and these two countries will become major suppliers of human talent to the global economy across a wide spectrum from engineers and programmers

² Source: China Statistical Yearbook 2003

to musicians and sportsmen. The competition we are now feeling is only from the early flow. That flow will become a flood.

Singapore's Response

7. When the waters are rising, what we need is a good boat, a good crew and a good map. We have all three which is why I believe that Singapore will benefit powerfully from the growth of China and India provided we make adjustments to both our external and internal policies, remaking Singapore into a New Singapore in a New Asia.

Strengthening Our Links to the Advanced Countries

8. I will discuss our policies on China and India later but let me emphasize at the outset that the OECD countries are still our most important economic partners. They will remain the major players on the global scene for a long time to come because of their economic strength. It is helpful to remember the numbers: the EU of 25 and the US each has a GDP of US\$11 trillion; Japan's is US\$4.3 trillion. In comparison, China's

³ 151,000 in 1997 [latest figures available]. Source: Ministry of Human Resource Development, Technical Education, India

GDP today is US\$1.4 trillion, India is US\$560 billion and ASEAN combined is US\$700 billion.

9. We must therefore continue to strengthen our links to the advanced countries. They account for most of the inbound investments brought in by EDB in knowledge-intensive industries. Throughout the Asian financial crisis and the global economic downturn, and despite growing competition from China and India, EDB was able to achieve annual Fixed Asset Investments of about S\$8-9 billion a year. We have core strengths which are not easy for others to copy: good public administration, high system efficiency, strong protection of intellectual property, our tripartite cooperation and a cosmopolitan outlook that goes into our heartlands. Together they enable Singaporeans to earn a significant premium in the international labour market.

10. Our free trade agreements with the US, Japan, Australia, New Zealand and the countries of the European Free Trade Association (Switzerland, Norway, Liechtenstein and Iceland) strengthen our links to the advanced countries. We are in negotiation with Canada and South Korea. We are also proposing a new-generation European Union - Singapore Partnership to establish stronger rules and harmonize standards for the facilitation of trade and investment.

11. It is our extensive links to the advanced countries which enable us to be a major hub for the flow of goods, services, people and money between the First World and the New Asia. The greater the role we want to play in this New Asia, the more must we strengthen our links to the advanced countries.

12. Let me now turn to our relationship with China, India, the Middle East and the rest of ASEAN.

China

13. Singapore's relationship with China is growing from strength to strength. China has become a big account for us with non-oil domestic exports growing by 40% in 2002 and 34% last year. Since two years ago, our trade with Greater China (China, Hong Kong and Taiwan combined) overtook our trade with the US. China is now by far the most important recipient of our foreign direct investment with cumulative contractual investments reaching US \$45 billion last year.

14. DPM Lee Hsien Loong and Chinese Vice Premier Wu Yi co-chaired the first meeting of the Joint Council for Bilateral Cooperation last month.

We are stepping up our cooperation in China's West and North East, in science and technology, in human resource development and in the internationalisation of China's companies. SM Lee Kuan Yew, China's Vice Premier Wu Yi and retired Vice Premier Li Lanqing have just officiated at the celebration of the 10th Anniversary of the Suzhou Industrial Park which the Chinese want to build up as the most advanced industrial township in China. We are now thinking of establishing a Singapore Centre in Suzhou to help Singapore companies get into the Chinese market. We are also working on the establishment in Singapore of a China Centre and centres for Chinese media & culture and Traditional Chinese Medicine.

15. As China's presence in Southeast Asia grows, Singapore will be an important base for Chinese companies. Over 1000 Chinese companies are already based here. Last year, 15 Chinese companies launched their IPOs in Singapore. This year, we already have 12 new listings from China. Last November, Zhejiang established a provincial centre in Singapore. A few other provinces such as Shandong and Liaoning are also thinking of following suit. Recently, Xi'an also announced its interest to establish a centre here.

16. This November, Singapore and China will launch negotiations for a comprehensive bilateral FTA. Our bilateral FTA with China will help to create favourable conditions for a full-fledged FTA between China and ASEAN by the year 2010. The China-ASEAN FTA will have a big political impact and help secure peace and prosperity in the wider region. Japan, India and Korea are also keen to have FTAs with ASEAN. All this is good for ASEAN.

India

17. Singapore's negotiations with India for a Comprehensive Economic Cooperation Agreement (CECA) are now in the final stages. The change of government in Delhi may cause a slight delay but will otherwise not affect the conclusion of negotiations. This is because India's economic liberalisation and Look East policy have broad multi-party support. We have good links with the new Indian Government as we had with the last. After all, it was the Congress Government under PM Narasimha Rao which started the policy of opening up the Indian economy in 1991. That year, Manmohan Singh as Finance Minister and P Chidambaram as Commerce Minister visited Singapore and gave a seminar here.

18. We have deliberately positioned Singapore as a partner for India's development since then. Despite episodic political changes at both the federal and state levels, we have maintained this policy. Political leaders, civil servants and entrepreneurs on both sides enjoy a high degree of comfort with each other. Singapore investments in India have grown in areas like telecommunications, ports, industrial parks, logistics, the healthcare industry, the financial industry and township development. Changi Airport is interested in bidding for the privatization of Delhi and Mumbai airports.

19. It should not be surprising that, as India looks eastwards, Singapore should be regarded as a useful facility. After all, Singapore was founded by the British East India Company for the China trade of an earlier era. From 1819 to 1867, Singapore was directly governed from Calcutta. Our legal and administrative systems are very much derived from the Raj in India. Our re-engagement of India is reviving all those earlier links. In recent years, we have also received large numbers of new and highly talented Indian nationals who have invigorated Indian culture and cuisine in Singapore. Over 1,400 Indian companies are now based in Singapore including the top 20 IT companies. The numbers will grow in the future. The recent Bollywood (IIFA) Awards Ceremony held in Singapore was one of the most successful ever.

20. Singapore has also played a major role in fostering stronger links between India and ASEAN as a whole. India's trade numbers with Singapore, with ASEAN and with China are all growing. In the same way as Singapore is becoming a major hub for China in Southeast Asia, Singapore will also be a major hub for India in the years to come. CECA will facilitate this growth.

21. We are expanding our links beyond India to the whole South Asian region. PM's current visit to Pakistan, Bangladesh and Sri Lanka are part of this effort. We will soon launch FTA negotiations with Pakistan and Sri Lanka. To build up knowledge in Singapore of all these countries, a South Asia Institute is being established in NUS.

Middle East

22. We have also stepped up our ties with the Middle East to build up our links with the countries there. September 11 necessitated visa restrictions on some countries in the Middle East. Although security considerations are still important, we will be more selective in our approach so that legitimate visitors can travel here more easily. To do this, we have to build up our knowledge of the Middle East.

23. Not many Singaporeans are aware is that Singapore is held up as a model of development all over the Middle East especially in the Gulf region. Harvard Business School cases on Singapore are carefully studied. Dubai and Abu Dhabi recruit Singaporeans consciously. Emirates Airlines has become a serious competitor to SIA. We enjoy a reservoir of goodwill in the Middle East which we have hardly tapped. This will change in the coming years.

24. After all, the Middle East represents a sizeable market of 400 million people, with a combined GDP of more than US\$1 trillion. 9/11 and the war in Iraq have also fundamentally changed the geo-political and economic landscape in the Middle East. The countries in the region are adopting a “Look East” policy, seeking new partners and markets.

25. We have concluded an FTA with Jordan and will soon launch negotiations with Bahrain. We are also talking to Egypt, Qatar and Oman about the possibility of launching negotiations. We are strengthening our links to the UAE and Kuwait as well. All this will encourage more Middle Easterners to come to Singapore for their holidays, for healthcare and for financial service. MAS is keen to promote Singapore as a centre for Islamic banking.

26. In addition to the smaller countries, we are also reaching out to other Arab countries like Saudi Arabia. I was pleasantly surprised to hear from the Governor of the Saudi Arabian General Investment Authority that he saw EDB as a model. He has proposed that our officials meet to discuss areas for closer cooperation.

27. We are also giving more attention to Iran. In April this year, I visited Iran to build better economic relations. The Iranians gave me a warm welcome and the businessmen in my delegation were optimistic about prospects there. Although Iran's nuclear programme continues to be an issue with the US and the EU, the Iranian Government has decided that this should not stop it from liberalising its economy to trade and foreign investment.

28. It is interesting to see how the wheel of history has turned one full circle. Singapore's ethnic make-up reflects our ancestry in China, India, the Middle East and Southeast Asia. With the end of the colonial period and the end of the Cold War, globalisation is re-establishing our ancestral links to these different parts of Asia.

ASEAN

29. The rapid growth of China and India is giving a strong push to the economic and political integration of ASEAN. Singapore is actively involved in this effort. Economically, we are a funnel for investments, trade and knowledge into the region. As the most advanced economy in Southeast Asia, what we do here is closely observed by our neighbours. We are like a nearby experiment for them. They benefit by avoiding the mistakes we have made and copying some of our successes.

30. With the competitive challenge from China and India, the countries of ASEAN have come to the conclusion that each of us is more competitive if ASEAN as a whole becomes a common economic space. When the Leaders met in Bali last year, they issued a historic document called the Bali Concord II which envisioned the creation of an ASEAN Economic Community by the year 2020. Eleven priority areas for fast-track integration were identified and are being worked on.

31. Singapore has important trade links with all the other nine ASEAN countries. We are a major investor in every one of them. Under Prime Minister Abdullah Badawi, Singapore's relationship with Malaysia has taken a turn for the better. Singapore's investments in Malaysia are now more welcome there. Recently, Minister Rafidah and I agreed to launch an

expanded fund to help our companies work jointly in third countries. Our two exchanges linking up is another sign of greater trust between the two sides. Once the Presidential elections are over, we should try to raise our economic relationship with Indonesia to a new level. The economies of Singapore and Indonesia are highly complementary. There is much more that we can do together for the mutual benefit of our peoples. With the devolution of power in Indonesia, many Indonesian provinces now want closer economic links with Singapore. With Thailand, we have struck up a strategic partnership. Our relationship with Vietnam has also been raised to a new level in the last one year.

32. Political and security cooperation in ASEAN is growing in tandem with economic cooperation. In the fight against terrorism, our security agencies are working much more closely together. Terrorism is a long-term problem which can only be countered if we watch out for each other, share information and act in concert.

New Singapore

33. All these efforts we are making to strengthen ASEAN and build links to China, India and the Middle East will position Singapore well for the new tide flowing in Asia. Good positioning is critical. If we sail

where the current is flowing strongest, we will be carried along even if we don't do everything right. If we are badly positioned, however, the most strenuous efforts may still get us nowhere.

34. To get into a better position, we have to do many things in Singapore including restructuring our economy. They were mainly addressed by the Economic Review Committee and the Remaking Singapore Committee in the last two years. Last year, we took advantage of the strong sense of solidarity fostered by the challenge of SARS to restructure our CPF. We must remake Singapore in many areas from the shortening of National Service and the establishment of a private university to the idea of allowing a casino here. Central to everything is our ability to make Singapore a talent capital - both keeping our own talent and attracting others to join our ranks. Without a large pool of international talent and a host community which welcomes them, all our dreams will remain dreams. Our culture must become more cosmopolitan while staying uniquely Singaporean. Indeed, our Singaporean-ness will be partly defined by our cosmopolitan view of life. Paradoxically, it is big countries which can afford to be inward-looking and narrowly nationalistic. City-states like Singapore have to be outward-oriented and open in our attitudes. Provided we stay well-centred in Singapore, the growth of our external economy will give a boost to economic growth in Singapore itself.

In the coming years, more Singapore companies will be venturing overseas. Many more Singaporeans will seek fame and fortune in foreign lands as far away as South America, leveraging off Singapore's reputation, and doing things which their parents could never imagine.

35. This is an exhilarating voyage, full of promise but not without danger. If Sino-US relations founder on the rocks of Taiwan, our boat will be immediately put at risk. If we let our guards down on terrorism, we can be suddenly knocked off-course. If we lose our sense of solidarity, we may be forced to slow down and miss the current. But we can be cautiously optimistic. China and the US are likely to calculate rationally and not go to war. Singaporeans are a sensible people and will rally around the Government in times of crisis. Provided nothing cataclysmic happens, Singapore will be able to ride this new tide in a rapidly-growing Asia and sail towards a brighter future, one which will afford younger Singaporeans many new opportunities.