

**SPEECH BY MR LIM HNG KIANG,  
MINISTER FOR TRADE AND INDUSTRY,  
DURING THE COMMITTEE OF SUPPLY DEBATE UNDER HEAD V  
(MINISTRY OF TRADE AND INDUSTRY) ON 4 MARCH 2011**

**“STAYING THE COURSE – REAFFIRMING OUR ECONOMIC  
FUNDAMENTALS”**

**(A) INTRODUCTION**

1. Mr Chairman, let me thank Members for their comments.
  
2. 2010 was indeed an exceptional year. Our economy grew by 14.5 percent. We had a strong recovery because we responded effectively to the 2008/2009 financial crisis. Our good performance also validated our economic strategies in the last decade. Let me highlight three lessons learnt.
  - First, it validated our strategy of diversifying trade partners and growth clusters. This minimises concentration in any single market or industry, and smoothens economic volatility. Going forward, we can expect global economic volatility to remain a feature so diversification in our economy is of critical importance.
  
  - Second, it reinforces our policy of welcoming talent who can contribute to our economy. This has helped us to anchor higher value-added activities that have created good jobs for Singaporeans. Many of our sectors thrive because Singaporeans and foreign talent work together. Can you imagine our financial services sector, our manufacturing sector, our offshore trading sector, competing without the participation of foreign talent? This would be like competing with one hand tied behind our back.
  
  - Third, our support for the internationalisation of Singapore companies. Due to our small domestic market, our companies have no choice but to expand overseas relatively early in their growth cycle. We are not a huge continental economy like the US, India, Europe or China. So our domestic

market is limited and our companies have to go overseas. Later on, I will deal with some of the economic strategies specific to the next few years but I thought I should reinforce these three key fundamentals. We should not lose track of these fundamentals.

3. So, if we take a longer-term view, we have done fairly well. Over the last 5 years, our GDP grew by 6.4 percent per year. Median resident household income grew by 2.6 percent per annum in real terms. For residents, the average unemployment rate in each year over the last 5 years stayed within the range of 3.0 to 4.3 percent.

#### **(B) ECONOMIC OUTLOOK**

4. This year, we expect the economy to grow by 4 to 6 percent. Over the medium-term, our growth prospects remain positive. Emerging Asia will become a key growth engine, and we can take advantage of the growth opportunities arising from that.

#### **(C) GROWTH STRATEGIES**

5. Ms. Jessica Tan, Mr. Wee Siew Kim and Mdm. Ho Geok Choo have asked how the Government is helping Singapore-based companies seize growth opportunities, become competitive and expand into Asia. Let me outline three key strategies to achieve this. They are:

- One, make Singapore a Global-Asia business hub;
- Two, re-position existing clusters and grow emerging ones; and
- Three, pursue productivity-led growth.

#### **Strategy 1: Global-Asia Hub**

6. Our first strategy is to develop Singapore as a Global-Asia hub. The companies of today operate globally. Many site their activities across Asia, and coordinate them from “control towers”. “Control-tower” functions include innovation, commercialisation, supply-chain and talent management. Our political

stability, connectivity, access to talent and educated workforce make Singapore a compelling destination for global and regional “control towers”.

7. We in fact target three groups of companies – MNCs, global mid-sized companies and Asian champions. We can be a base for MNCs and global mid-sized companies to penetrate the Asian market. At the same time, Asian champions wanting to expand from their domestic base to other parts of the world will find Singapore very useful.

8. Our Global-Asia hub strategy is working. Take for example Applied Materials, a leading global semi-conductor equipment supplier. Last year, it set up its first Asian semi-conductor equipment manufacturing plant in Singapore. Applied Materials expects 50 percent of its global semi-conductor equipment supplies to be manufactured here. The company also manages its regional supply chain out of Singapore.

9. Hoya Surgical Optics is another example. It is a world-leading manufacturer of intra-ocular lenses, which are implanted in cataract patients. Hoya’s presence in Singapore dates back to 2003, when it set up a plant to manufacture intra-ocular lenses for global markets. Earlier in the week, Hoya announced the re-location of its global HQ to Singapore. The integration of its HQ and manufacturing activities in Singapore will improve its overall operational efficiency, and bring the company closer to emerging Asian markets.

10. To be a Global-Asia hub, our value is not just location. Our companies must also understand the business environment in Asia. They must know the business regulations, demand conditions and insights to consumer as well as HR best practices in various Asian markets. To support this, we are growing niche capabilities in our professional services cluster. PriceWaterhouseCoopers, the fifth-largest HR consulting player in the world by revenue, set up the Asian Saratoga Centre here last year. The centre will develop a database of HR performance metrics pertaining to companies in Asia. Examples of such metrics

include recruiting costs and workplace productivity. Using this database, the centre will be able to analyse how well its Asia-based clients are doing in HR management compared to their peers in the region. The database will also allow it to advise its clients on how their HR operations can be optimised. We are also helping companies access “Asia-ready” talent. Many companies have feedback to us that they lack managers who are “ready” for Asia – managers who understand the Asian business environment and are comfortable operating in Asia. Last year, we launched HCLI, the Human Capital Leadership Institute, to develop business leadership capabilities in Asia. Come May, HCLI will roll out the Singapore Business Leaders Programme, which will help prepare senior executives for regional leadership positions.

### **Strategy 2: Re-positioning Existing Clusters and Growing Emerging Ones**

11. Our second strategy is about strengthening Singapore’s export base and diversifying our industrial portfolio. Let me share with you examples from some key clusters.

#### **Electronics**

12. In electronics, we have remained competitive by scaling the value chain. In the 1990s, we engaged in 4-, 6- and 8-inch wafer fabrication. Now, we have 12-inch wafer fabrication plants. As a result, our share of global semi-conductor output has risen from 6 to 11 percent over the past decade.

13. The renewal process continues. We are developing deep capabilities in integrated circuits. These are vital components of portable devices such as laptops and hand-phones. Last year, we launched an Integrated Circuit Design Centre of Excellence in NTU, called VIRTUS. VIRTUS specialises in developing technologies required for applications in medical technology, clean technology and consumer electronics. It also helps train talent in emerging electronics sectors, such as power management and energy-harvesting.

## **Logistics**

14. In logistics, we are similarly undergoing a renewal process. To be closer to their main markets, companies are re-locating their logistics centres to Asia. This creates opportunities for us. Hitachi Data Systems, for example, found it too slow to ship products from the US to its growing customer base in Asia. Last year, it opened a regional distribution centre in Singapore to aim for faster delivery.

15. Mr. Chairman, a competitive logistics cluster serves as an enabler for all our other clusters. To cement our position as a logistics hub, we are developing competencies in new niches. For example, SATS recently launched Coolport – a facility that can store perishable foodstuff as well as heat-sensitive pharmaceutical products in a temperature-controlled environment. This will help us anchor new investments in biomedical sciences and other clusters.

## **Clean Technology**

16. Our efforts in nurturing new clusters are also progressing well. For example, we foresee good prospects for clean technology, which encompasses solar power, wind energy and others. So leading players like Vestas, Siemens and Bosch already engage in high-value innovation and manufacturing in Singapore.

17. To strengthen our base, we have also set up public R&D centres specialising in clean technology. These include the Solar Energy Research Institute of Singapore at NUS and the Energy Research Institute at NTU. All in all, clean technology is on track to add S\$3.4 billion to our GDP. This is slightly over 1 per cent and generates an additional 18,000 jobs by 2015.

## **Strategy 3: Pursuing Productivity-Led Growth**

18. Let me now turn to our third strategy, which is to pursue productivity-led growth. From the comments on productivity from Ms. Jessica Tan, Mr. Muhammad Faishal and Mr. Teo Siong Seng, it is clear that members share the

view that productivity will be crucial to our ability to achieve sustained economic growth in the future.

19. To achieve our productivity growth target of 2 to 3 percent per year, we have to achieve sustained productivity improvements at four levels.

20. At the economy level, we must move towards higher value-added sectors. This is part of the ongoing restructuring of the economy, shifting from low value-added activities to higher value-added sectors and growing new clusters. What I highlighted just now about the developments in our key clusters as well as new clusters that we are nurturing reflect this effort.

21. Second, at the sectoral level, we must move up the value chain within existing industries. Efforts at this level recognise that each sector faces its own challenges and requires different solutions to improve productivity, something that Mr. Muhammad Faishal has also highlighted. We will work with companies that have made headway in their productivity efforts. These companies will serve as productivity champions and help demonstrate the value of productivity improvements to the rest of the sector.

22. TACs, or Trade Associations and Chambers, also have a key role to play as champions of productivity. We will engage the TACs through our Local Enterprise and Association Development (LEAD) programme, which offers sectoral-based, customised assistance that target unique industry needs. Mr. Teo Siong Seng also highlighted the importance of engaging with the TACs and we intend to do so.

23. At the firm level, this is where much of the heavy-lifting will be done. The Government has enhanced the Productivity and Innovation Credit (PIC) to further encourage companies to invest in activities that foster productivity and innovation. The PIC will allow the individual firm to respond to the productivity call. In this way, we can reach out to a very broad base.

24. At the individual level, it is important that workers continue to upgrade themselves, and take advantage of the many avenues in our Continuing Education and Training (CET) system to do so.

25. Mr. Muhammad Faishal also asked about our plans for the various sectors such as construction, retail and F&B. In the MND debate yesterday, we highlighted the roadmap in the construction sector. DPM Teo has also provided updates and examples from some of the retail and F&B sectors. So let me share our experience with two sectoral examples: Precision Engineering and Hotels.

### **Precision Engineering Productivity Roadmap**

26. In Precision Engineering, the level of productivity in the PE sector is only about 50 percent of that in developed countries such as the US, Germany and Japan. To catch up, our PE players have to move up the value chain. The industry needs to be transformed beyond one that supplies standard parts for local customers to one that designs and makes its own sophisticated final products for the export market.

27. Meiban Group is a local PE player that has successfully made such a transition. It started off as a contract manufacturer of plastic products. It then began to pursue industrial design a few years ago. This has paid off. Meiban is now able to design and patent tools that have doubled the output of current equipment.

28. We also need to anchor global players to improve the dynamism of our PE sector. This is not restricted to manufacturing, but extends to the entire value-chain, something that Ms. Jessica Tan also raised-the need to have the entire eco-system and the supply chain. An example is Kulicke and Soffa, a market leader in the manufacture of semi-conductor wire bonders. The company started operations here with a modest sales team in 1993. It has since moved into

manufacturing and product development, and recently made Singapore its global corporate HQ.

### **Hotel Industry Productivity Roadmap**

29. In the Hotel industry, we face a different set of challenges. Based on STB's study, our hotel industry's productivity level is comparable to that of Hong Kong. So here, our main challenge lies in attracting manpower for rank-and-file jobs in an already tight labour market.

30. To raise productivity, more hotels have to improve their operational efficiency. They need to review systems and leverage technology to optimise manpower resources. An example of a hotel that has done this is Grand Park Orchard. It purchased passport scanning devices to facilitate guest check-in, dispensing with the need for manual entries. In this way, their Guest Services Officers are now able to check in a guest in 2.5 minutes compared to 4 minutes previously.

31. To complement the move to improve operational efficiency, rank-and-file jobs in hotels need to be upgraded and re-designed to become higher-skilled ones with better remuneration. More Singaporeans will then be attracted to these jobs. For the Hotel industry, high service standards are also critical. I agree with Ms. Jessica Tan that we need a quantum step improvement in service excellence. Visitors must go away with a happy experience. So productivity is not just about reducing the denominator, it is also about increasing the numerator, the value-add. Raising standards in fact also allow us to also raise the value-add.

### **(D) CONCLUSION**

32. Mr Chairman, let me conclude. Singapore is in a good position to tap on the opportunities in a rising Asia. Our medium-term growth prospects are promising. However, constraints in labour supply compel us to raise productivity, and make the best use of our resources. We therefore need to persevere in our



re-structuring efforts. We will then have an economy that would create a better quality of life for all Singaporeans.

33. Thank you.