

Singapore Government
MEDIA RELEASE

SPEECH BY MINISTER MENTOR LEE KUAN YEW AT THE TANJONG PAGAR CHINESE NEW YEAR DINNER AT HENDERSON SECONDARY SCHOOL, 6 FEBRUARY 2009

2009 WILL TEST THE CHARACTER OF SINGAPOREANS

2009 will test the mettle, the strength of character, of Singaporeans. The PM and Finance Minister have described this worldwide financial crisis that has reached us. This is the first time that all banking systems in all countries are concurrently facing a credit crunch. They have lost confidence in themselves, in their fellow banks and other financial institutions, and even in their customers. US and EU banks have been brought down by complex derivative securities, now called “toxic assets” because they may be worthless.

In 9 months, we will know how President Obama’s economic and financial plans are doing. We will have an indication of when America’s economy will bottom out and start to grow again. With luck, it could be by the end of 2009 or in early 2010. However, many leading American economists contend that spending this huge sum of money, they may still not succeed in kick-starting the economy. Some argue that prices in the mortgaged housing sector must hit bottom and recover before confidence will return. When they do, banks and financial institutions worldwide will be more confident.

The outcome of America’s economic and financial policies will affect the EU, China and Japan, because the US is their major export market. By the end of the year, we will know where the US economy is heading. The “Resilience Package” may have to be updated.

Our external trade is more than three times our GDP. Therefore, the level of international trade is a decisive factor for our economy. Indeed, in

this globalised economy, no country - not the US nor the EU, nor Japan, nor Singapore - can single-handedly decide its economic performance.

Big countries like China and India can still make substantial 6 to 8% growth despite this meltdown. They have giant domestic markets and can spend to meet their large infrastructural needs. But China's GDP is only one-quarter, and India's less than one-tenth that of America's. We may get some spin-offs from their growth, but they cannot lift us like a US recovery.

Singaporeans and their government are not in panic. We have got the wherewithal to survive this recession, even if it goes on for several years. We knew such a recession must come from time to time. It is in the nature of the free markets of the western world that our economy is plugged into. People and systems tend to be carried away by exuberance. Investors get greedy and rush in to buy, believing that prices will only go up. When prices collapse, investors find they have lost huge sums. Despair and depression then set in.

Everyone in the world is poorer. US\$7 trillion has been wiped off the world's stock markets. According to a BBC report from Davos, the world's assets (stocks, properties, pensions, gold, jewellery, etc) have lost 40% of their value. Rupert Murdoch speaking at Davos said personal wealth in the world has fallen by US\$50 trillion. Forbes estimated that in Hong Kong, the 40 richest billionaires and millionaires have lost half their combined wealth. Property values have gone down in every country, so have profits for companies and wages for workers. In Singapore, our SGX market capitalisation lost half of its value last year. Properties at the high end, residential and commercial have gone down. However, HDB prices have held up because many are downgrading from private condominiums to purchase HDB flats.

Everyone's wealth has shrunk as our assets have lost value. But if you have not borrowed excessively to buy assets and have sufficient cash to service your loans, you can hold on to your investments until the market turns up and prices recover.

Singaporeans need not despair or be depressed. We will have to endure some hardship. But nobody will be destitute, depending on soup kitchens or begging in the streets. Everyone has a home, 95% of Singaporeans are home-owners. They will receive U-save rebates and S&C subsidies, GST credits, Workfare Income Supplements and other forms of assistance. Most importantly, the government has launched the Jobs Credit Scheme to save jobs for Singaporeans by giving employers a maximum grant of \$300 per month for each Singaporean worker. These measures will help Singaporeans meet their basic living expenses and defray their utility bills and conservancy charges. Support is tilted towards the lower income families in the two and three-room flats, and also the middle-income in four and five-room flats.

Some professionals have written to the newspapers that we are ignoring those in the private condominiums and landed properties. The government has not overlooked them. They are getting income tax and property rebates, and GST credits. But it is right that the low income groups should get more help, as they are in greater need.

Ministers and senior civil servants are taking pay cuts of up to 20% as the economy has slowed down substantially. Middle and lower-ranking public officers would also receive lower salaries, but with smaller reductions. It is to share the belt tightening that other Singaporeans have to bear in this difficult period.

Most of what we consume is imported. We do not grow our food, nor manufacture the goods we buy. Whatever we do, retailers will find customers more cautious, because they are preparing for what could be a longish period of negative or little growth. Retailers, like other companies, will get up to \$300 per month for each Singaporean employee through the Jobs Credit Scheme, and should also benefit from the 40% property tax rebate, which is the least that landlords should pass on to tenants. Along Orchard Road and many other shopping centres, tents have been put up next to shopping malls for

the mall tenants and others to sell their wares to passers-by at lower prices. The market will adjust. This experience will be remembered by everyone, especially by all those who were born after 1971. After 1971 and the oil crisis which caused oil prices to quadruple, our economy has grown steadily year after year. So this generation may believe that Singapore and Singaporeans will automatically go up the escalator every year. This is not so.

In testing times, we must have the guts to face our problems, maintain solidarity and work together, learn new skills and knowledge through the SPUR programme that the government has launched. We will overcome our present difficulties and emerge stronger from the experience. We will get fresh investments again, higher value investments that will employ more workers who are better-skilled and more knowledgeable. Our standing with investors worldwide is high. They know we are restructuring and that we will pay for our workers to be trained by them, and by other institutes, under the SPUR programme to match the skilled workers that they need. We should take this opportunity to go for training and upgrade ourselves for these higher value-added jobs.

Singapore's security, stability, reliability and good labour relations are well known. Whatever your job, you are better off in Singapore than if you are in a similar job in any other Asian country, including China and India. The only country where job for job, you can be better off, is in Japan. The Japanese have huge reserves, top class infrastructure and a highly skilled, industrious and knowledgeable workforce.

Do not be discouraged by the present hard times. I am confident the younger generation of Singaporeans have the grit, stamina and resourcefulness to bounce back.

My generation of Singaporeans will never forget the 1960s and early '70s when we had only \$100 million in our reserves. We faced separation from our then economic hinterland, Malaysia, and "Konfrontasi" and no trade with

Indonesia. That generation kept their nerve and were determined to succeed. Your parents' and grandparents' generations had hard lives in shanty huts with no running water or modern w.c, not knowing what the future could bring. They simply concentrated on hard work and built the foundation for the Singapore of the 21st century.

We will go through with restructuring our economy. And retrain and educate our workers to higher levels of skills and knowledge. When recovery comes in the US and EU as it must, we will be ready for a higher level of economic activity.

Your generation can take Singapore forward to become one of Asia's most vibrant and beautiful cities. We will have a spectacular marina in the Central Business District; the island will have many beautiful streams and water bodies; our housing estates will be clad in exuberant foliage and ringed by gardens, recreational and sporting facilities. This is not a pie in the sky. It will be realised in the next 5 to 10 years, even with the current financial crisis.

The success of Singapore came from the hard work, resourcefulness and ingenuity of your forefathers and their leaders. You are the descendants of these lion-hearted pioneers. You have it in you to succeed. Joining you are hardworking and talented new emigrants from Asean, India and China. Together we can make the grade.