

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(83)29/Add.20
26 August 1983

Working Party on Structural Adjustment
and Trade Policy

RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS
RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Singapore
(Spec(82)6)

1. Introducing his country's submission, the representative of Singapore said that in the eighteen years since Singapore had become independent, the Singapore economy had undergone three broad structural changes. From a traditional entrepot trade economy in the 1960s, Singapore had become a trading and manufacture-based economy in the 1970s. For the 1980s, Singapore had embarked upon major steps to restructure the economy by moving into high value-added, and skill and technology intensive industry. These structural adjustments had resulted in a change in the product mix and composition of Singapore's foreign trade. It had also affected trade by regions. Singapore's experience had shown that structural adjustment took time and was difficult in the short term. But the very same experience had led Singapore to be convinced that the key to Singapore's long term economic well-being and that of the international economy was in free trade and structural adjustment. Singapore would continue to liberalize its imports and restructure its economy as appropriate.

2. In response to a question concerning policies to encourage export industries, the representative of Singapore said that the deliberate policy adopted by Singapore in the mid-1960s had been to encourage export-oriented and labour intensive industries not just export-oriented industries alone. The means used had been economy-wide with emphasis on specific industries which Singapore had viewed as important for its industrialization. Policy techniques had included development of infrastructure, such as transportation, communications, water, electricity and industrial land; manpower development and training; the maintenance of an open trading system which provided for duty free imports of capital equipment and raw materials; encouragement of the development of financial and service sectors; and fiscal incentives.

3. Taking up a question regarding the use of assistance measures to ease the adjustment process, he said that the most recent restructuring in Singapore's economy had involved a deliberate policy to move out of low value-added industries and into high value-added, skill and technology intensive industries. It was not a move to higher valued exports; while the restructuring would lead to higher value exports, that was not the *raison d'etre* for the restructuring. He said that there were no assistance measures to ease the adjustment out of less competitive industries. As a result, many enterprises had had to relocate elsewhere or take steps to increase productivity. A number of workers had been dismissed from such

enterprises. However, within particular industries there had been assistance to improve productivity.

4. Replying to a question as to whether the basic nature of adjustment in the Singapore economy was one of adjustment to changing export markets, he said that Singapore did not protect its industries, but maintained a philosophy that domestic production must be efficient and competitive with imports or production from other producers. Adjustment in the Singapore economy was thus one based on survival and not as the question implied to the changing nature of export markets. Illustrating this point, he said that the domestic Singapore market and export market for low value textiles and garments or footwear was still extremely large. In both value and volume terms this segment of the market was bigger than the high value top end of the market. However, because of its lack of resources, both natural and human, Singapore could not produce such low cost, high volume items efficiently. The deliberate decision therefore had been to move out of such items and allow them to be freely imported from the more efficient countries, leaving the available resources in Singapore to concentrate on what it could be more competitive in. Adjustment in Singapore was not undertaken to meet the changing nature of export markets but in order that the resources available might be put to the most efficient use. In responding to the last part of this question, he said that the supportive measures used were mentioned in Singapore's submission; no subsidies inconsistent with GATT rules and principles were maintained.