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**SPEECH BY MR YEOH KEAT CHUAN, MANAGING DIRECTOR,
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**AT THE 7TH ASIAN BUSINESS SUMMIT, ON SATURDAY, 16 JULY 2016,
1240 PM, 10 SCOTTS ROAD**

Mr Teo Siong Seng, Chairman, Singapore Business Federation

Dr. Sadayuki Sakakibara, Chairman, Keidanren

Distinguished guests,

Ladies and Gentlemen,

Good afternoon.

Introduction

1. I am delighted to join you here at the 7th Asian Business Summit.

Singapore is very happy to be hosting the Summit this year. This morning, we had many discussions about Asia's growth, and the role of innovation and technology. I would like to touch on how we continue to see growth potential across Asia, the importance of connectivity underpinning this growth and what we can do to prepare our workforce in an increasingly digital economy.

Despite global economic head winds, Asia provides good opportunity for growth.

2. At the start of 2016, global financial markets were volatile and the uncertainty across global and regional economic outlook increased. In

the advanced economies, high debt levels weighed on their growth prospects, and ability to spend and invest. In emerging economies, growth has tapered amidst the end of the commodity super-cycle, volatile oil prices and changes in global monetary policies.

3. Despite these trends, economies within Asia such as Southeast Asia, China, and India are expected to grow, at 4.9 per cent, 6.5 per cent and 7.4 per cent respectively in 2016¹. While these are more moderate growth rates expected in the near-term, they are supported by these economies' domestic markets and growing middle class.
4. In the longer-term, ASEAN, which is already the seventh-largest economy in the world today, is projected to rank as the fourth-largest economy globally by 2050 with a GDP of \$10.0 trillion, after China, US and India.
5. Along with economic growth, confidence has also increased. This is evident from the growth in foreign investments related to the manufacturing sector in the ASEAN5 countries which rose an average of 6.8 per cent from 1999-2011. The jump from US\$12 billion in 2012 to US\$41 billion in 2013 was concentrated mainly in the electronics and automotive sectors. In 2013, foreign direct investments in ASEAN 5 outstripped that of China.
6. This has been complemented by improving governance. In Indonesia, President Jokowi's administration is putting in place stimulus and reforms to boost economic growth. As for Myanmar, watershed elections and a relatively smooth transition of power to the NLD (National League for Democracy) suggest economic reforms and liberalisation will continue.

¹ Update of the Economic Outlook for Southeast Asia, China and India, OECD, 2016

This will be in investors' favour. For Vietnam, recent leadership renewal and conclusion of the Trans-Pacific Partnership (TPP) negotiations have provided a game-changing impetus for accelerated economic reforms.

7. In Singapore, we will continue to develop mutually beneficial economic relationships across ASEAN, which has always been important to us. There are long-standing economic partnerships especially with Malaysia and Indonesia, the neighbours in close proximity to us. As a result, Singapore-based companies have been encouraged and supported to expand into SEA as a natural extension of their operations here.

Maintain and develop connectivity as a cornerstone to supporting growth

8. Across Asia, our pursuit of physical and trade connectivity is integral to the development of our economies. Singapore, as a small country without natural resources, has naturally looked beyond our borders. With global supply chains becoming more discrete, the ability for our economies to integrate seamlessly will be critical to our success.
9. However, I would like to highlight another type of connectivity – digital connectivity which will also have a major impact to disrupt and transform many of our economies in the coming years. In ASEAN, from 2008 to 2013, the number of Internet users grew at 16 per cent annually². Across emerging markets, people are particularly heavy users of digital services with a significant impact on life and livelihood, such as those related to healthcare and education. They are also more likely to embrace the

² World development indicators, World Bank, 2014

internet for its convenience, ability to improve their well-being, intellect and earning³.

10. There are tremendous benefits to ensuring a connected population. An additional 10 percentage points of internet penetration adds 1.2 percentage points to per capita GDP growth in emerging markets. 10 percentage points of broadband penetration adds 1.38 percentage points of per capita GDP growth⁴.
11. The Internet economy is expected to grow at 8 per cent annually, outpacing growth in 'traditional' sectors. The five disruptive technologies of mobile internet, big data, IoT, automation of knowledge work (i.e. AI) and cloud computing have the potential to unleash between \$220 billion to \$625 billion in annual economic impact by 2030 in ASEAN. This will represent approximately 4-12 per cent of ASEAN's GDP in 2030⁵.

Commit to workforce development

12. Digital connectivity and technology will bring about economic benefits, but also its fair share of challenges. New technologies could significantly change the nature of work, as routine jobs become digitized or automated. We see this happening in manufacturing where assembly lines become more automated, e-commerce becoming a channel alongside traditional retail, or construction utilizing more prefabricated modules. In the services sector, knowledge jobs such as medicine, law and accountancy are also being disrupted.

³ Adapt and Adopt: Governments' Role in Internet Policy, BCG, 2012

⁴ Delivering Digital Infrastructure, Advancing the Internet Economy, WEF and BCG, 2014

⁵ MGI 2014, Southeast Asia at the crossroads: Three paths to prosperity

13. By 2030, some 6 to 8 per cent of the total non-farm labor force in ASEAN alone—or 12 million to 17 million workers—could be displaced by technology⁶. These changes mean that new skills will have to be developed, as jobs change and existing skills become redundant.
14. There will be a need for education systems to emphasize the skills required in a digital economy, with governments committing to support retraining or continuous training.
15. In Singapore, we have introduced a SkillsFuture movement to provide people with the opportunity to develop to their full potential throughout their lives. Its key thrusts include improving education in schools to provide different pathways such as applied learning; helping individuals pursue life-long learning, to better integrate their education, training and career progression aspirations and enable them to stay ahead of globalization and technology.
16. In your respective countries and domains, there may be other ways to achieve these outcomes. I am sure there will need to be a concerted approach in order for all of us to remain relevant and ready for the rapid changes taking place in the world around us.

Conclusion

17. The journey ahead for all of us is fraught with both opportunities and challenges, but I am assured and encouraged that we continue to pursue dialogue at platforms such as this, to discuss the issues of the day and find ways to work together. I wish all of you a fruitful time at the summit, and a pleasant stay in Singapore. Thank you.

⁶ No Ordinary Disruption: The Forces Reshaping Asia, McKinsey & Company, 2015