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SPEECH BY DR BALAJI SADASIVAN, SENIOR MINISTER OF STATE FOR FOREIGN AFFAIRS, AT SNCF NEW YEAR RECEPTION ON 15 JANUARY 2009

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Mr S Chandra Das, Chairman
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Mr Chan Tee Seng, Chairman
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Members of SNCF Board of Trustees & Executive Council

Co-operative Leaders

Ladies and Gentlemen,

I am happy to join all of you this evening at this annual New Year Reception hosted by the Singapore National Co-operative Federation.

Financial Crisis

1 The current global financial crisis has been described as being the most severe since the Great Depression of the 1930s. No one could have foreseen that such a long standing and revered US institution such as Lehman Brothers could become history overnight.

2 Over here in Singapore, some 10,000 depositors had lost money by investing in structured deposit products linked to financial institutions such as Lehman Brothers.

3 We are a small, open economy, highly dependent on exports. Unless the US and the world economy recover, we will have to accept the reality that we will live in difficult times over the next couple of years. The only way to deal with the vast challenges ahead is to persevere at all costs and take the proverbial bull by the horns.

Co-operatives' Social Role and Opportunities during Crisis

4 The Singapore co-operative movement today has 88 registered co-operatives with a total membership of more than one million, of which 74 are affiliated to SNCF.

5 Co-operatives are formed by the people for the people. The co-operative enterprise model, of giving the man-in-the-street a stake in the business, has created much meaningful employment and improved the well-being of the community as a whole. One inherent distinct advantage of a co-operative is its social mission enshrined in the co-operative value of “Concern for the Community” which enhances co-operatives’ bonding with the public and thus brings about greater affinity between the co-operatives and the community.

6 A key difference between co-operatives and private enterprises is the priority given by co-operatives to the broader needs of the local community. This principle demonstrates the co-operative difference and builds the trust and loyalty of community members. Unlike conventional businesses, the success of a co-operative is measured by how well it addresses the needs of its members/stakeholders and not by the return paid to shareholders and outside investors. In this respect, I am heartened to note that many co-operatives, while maintaining their competitiveness, have simultaneously continued to achieve social objectives and improve the people’s quality of life.

7 There is a pressing need to protect our citizens from the worst effects of the present global economic turmoil that we are facing as a result of the corporate mismanagement of the investor-led model of business. It is clear that an unfettered reliance on the market model is flawed. Adequate regulatory oversight is needed to ensure that

markets operate for the benefit of society. The world regulatory framework for financial institutions is in the process of being reformed and will change the global financial landscape.

8 We must ensure that in the struggle against recession, and in any reform of the global financial structures (such as a new regulatory system), special note be taken of the stability and security of the co-operatives and its value to the thousands of individuals and families which it supports. We must ensure that the co-operative business model is given the recognition and support that it deserves.

9 Indeed I applaud the co-operatives in Singapore for their strong sense of social mission and for their contributions to the Singapore society and well-being of Singaporeans. They are exemplary models that even private businesses can emulate.

10 Many may have the misconception that only the bigger and stronger co-operatives are able to survive and compete in Singapore's open market economy. On the contrary, smaller and medium-size co-operatives are no less important. Being small has its advantages such as one can be versatile and nimble that will enable one to quickly move in response to or in anticipation of changes.

11 I believe that the current crisis will present more such opportunities for co-operatives to convince the public and customers alike that it can play an essential role in a new world economic order. Examples of co-operatives that were formed to help more people during difficult times are the WEworkz Co-operative (by SouthWest CDC) and the Community Kitchen Co-operative (by NorthWest CDC) which were launched last year. The former is a co-operative targeted at helping housewives and non-working women to earn income whilst working from their homes making decorative candles and costume jewellery. On the other hand, the latter is a co-operative that acts as incubators to needy job seekers by teaching them skills on food and beverage functions. Income will be generated from push cart sales and catering to grassroots functions. The Community Kitchen also acts as a welfare kitchen to provide meals to needy residents and welfare recipients.

Importance of Good Corporate Governance

12 With a history of more than 80 years, the Singapore co-operative movement has earned the trust, support and goodwill of many Singaporeans for its brand and model. However, this invaluable public trust which has been carefully built up over many years should not be taken for granted. The need for good corporate governance cannot be over-emphasized. Good corporate governance will bolster the image of our co-operatives in the marketplace and strengthen their member's and the public confidence in co-operatives.

By complying to high governance standards, co-operatives will have a competitive advantage when they compete in the marketplace. In other words, we must do well in order to do good.

Conclusion

13 We must continue to educate society on the economic *and* social successes of co-operative enterprises and of the great contribution they make towards the social good of society. In the aftermath of the financial tsunami, I am confident that there will be many opportunities for co-operatives to project themselves as time-tested and value-added business enterprises, fully committed to making a difference to their members and to society.

On this note, I wish all of you an enjoyable evening.

Thank you.

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