

## IPS-Nathan Lectures: Ho Kwon Ping on Economy and Business

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The basic economic fundamentals underpinning Singapore's past successes, alongside housing, education and foreign worker policies were discussed during the second IPS-Nathan Lecture, titled "[Economy and Business](#)", on 12 November 2014 at the Shaw Foundation Alumni House.

Mr Ho Kwon Ping, the 2014 S R Nathan Fellow for the Study of Singapore, suggested having new indices for economic well-being and the nurturing of a culture of inclusion and diversity to attract the best in global talent. Over 250 people, including students, business professionals, academics and civil servants attended the lecture, which was moderated by Mr Lee Tzu Yang, a member of the IPS Academic Panel.

### **Singapore's Three Ls and Their Threats and Responses**

Mr Ho began the lecture by discussing the threats and possible responses to what he referred to as the Three Ls' Strategy of Singapore: Location, Land and Labour.

#### ***Location***

Mr Ho questioned the possibility of Singapore's Location, the first L, declining into irrelevance from a number of reasons, ranging from climate change to infrastructure improvements that could better connect Northeast Asia and Europe, reducing Singapore's strategic position at one of the crossroads of the world. Developments in China and Middle Eastern countries, airport infrastructure and airlines have challenged Singapore's traditional dominance in aviation, he noted, drawing on the analogy of Venice and its slow decline in the face of new shipbuilding technologies from seafaring nations such as England, Spain, France and Portugal.

Mr Ho's proposal to maintaining competitiveness was for Singapore to create "several critical eco-systems of business activity which are so elaborately inter-related that they cannot be reconstructed by competitors...[as] the result of continual incremental improvements over decades, [and that] can stand their own in global competitiveness regardless of geography". The life sciences industry was an example he highlighted, while adding that any deliberate selection of industries to focus on is itself risky. Mr Ho also expressed optimism at the

creation of a genuine ASEAN Economic Community, which he said would provide a more “homogeneous, relatively affluent market of over 700 million people to our SMEs”.

### **Land**

Mr Ho raised three issues when discussing the topic of Land. First, reclamation could not happen ceaselessly, and the lack of a true hinterland, proxy hinterlands such as Southern Johor or the Riau Islands notwithstanding, meant Singapore could not benefit from a “symbiotic metropolis-hinterland development strategy”. Next, the lack of land also raised the question of whether or not Singapore’s manufacturing should give way to a high value-added services one. Lastly, land scarcity and its impact on housing affordability was raised because unlike other cities facing similar rising housing costs, moving out of those cities was a lot more feasible than moving out of Singapore.

Addressing the manufacturing/services debate, he referred to the conundrum as a “false dichotomy”. Hong Kong, he said, has to its detriment an economy with very high-end financial services and property, while everything else is low-skilled. Describing this as a “big mistake”, he concluded that “the choice is not between services and manufacturing. It is between low- and high-valued activities of any kind”.

In terms of housing affordability, he pointed out how property prices were outmatching the growth rate of lifetime income, leading him to suggest the possibility of a new role the Housing Development Board (HDB) could evolve into within the next 50 years — “exiting its role as housing developer in order to focus on a new dual role: first, as master land developer for entire new towns or districts, and second, as the regulator of housing prices in these areas, and to get out of the developer business entirely”.

In practical terms, this would mean HDB setting residential product sale-price caps to land parcels which would be auctioned off to private developers. This competition between private developers, set within the parameters of the price cap, would ensure that market forces dictate design, quality and features. Drawing from his experience as the first Chairman of Singapore Power, he also noted that competition within regulated price bands already exist in economic sectors such as electricity and telecommunications.

### **Labour**

Labour, said Mr Ho, was related to cost and productivity in “complex and sometimes contradictory ways”. To further complicate matters, in addition to job destruction, polarisation and stagnant productivity, there is also the added dimension of foreign versus local labour, he said.

Mr Ho gave two suggestions. First, Singapore would have to undergo periodic economic restructuring, just like it had done so in the 1980s, which might be initially disruptive but fundamentally necessary. Second, it would have to address the high wage differential between jobs, as this was contributing to Singapore’s high income inequality, he said.

To the first issue of wage depression, he suggested a reworking of current immigration policies, which sees “foreign workers as a necessary evil”, to one which acknowledges their

significance in the Singapore economy. He proposed the conversion of the foreign workers levy into a deferred savings account, similar to that of the Central Provident Fund (CPF) system. This would have the effect of incentivising good behaviour on the part of foreign workers, and simultaneously widens the available foreign talent pool Singaporean employers can choose from, at no additional cost to them.

Further, he urged policy-makers to consider permanent residency and eventual citizenship for those in the foreign worker community with the self-motivation and potential to gain higher skills. “We only need to look back at our own illiterate forefathers who built this nation, to perhaps recognise that not only the rich Chinese tycoon who is able to buy his citizenship, or the super-skilled scientist or investment banker, has the potential to become a citizen,” he said.

On the issue of the high wage differential, he suggested that polytechnic students should graduate at the same age as their peers on the university track. This would mean a period of longer industry attachments and genuine apprenticeship programmes, as is the case in Germany and Switzerland.

### **“Soft” Economics**

Mr Ho next moved into what he called “soft suggestions” to complement his previous “hard” ones. He mooted a rethink of “an economic culture which shapes how people behave in an economy”.

His first was a call for more holistic indices of progress, taking into account factors such as human well-being, environmental sustainability, and socio-cultural development. The development of such a holistic measurement of progress would also serve as a compelling vision for the young in society to strive towards, countering the complacency affluent societies face — a point brought forward from his previous lecture.

His second “soft suggestion” was for the purposeful cultivation of an innovation-attracting social environment. Citing studies that showed how most innovative people valued societies of tolerance, he described how a culture of freedom, inclusion and diversity might serve as an even greater enticement for entrepreneurs than tax incentives.

### **Future Economy and Progress through Cohesive Diversity**

During the question-and-answer session, participants quizzed Mr Ho on his suggestion for the HDB’s role to evolve and sought to discuss the possibility of a re-merger with Malaysia, and the challenges involved in implementing a new index to measure holistic well-being.

A member of the audience said he did not agree that the HDB should be abolished, as it was the only entity that could embark on bold housing projects, for instance, building a futuristic town on existing flats in Toa Payoh so that it would rise “10 storeys above existing levels”. Mr Ho clarified that he had not called for the abolishment of the HDB. His main proposition was for the HDB to step back from building and selling property to be a price regulator and master residential town planner.

Another audience member then asked for Mr Ho's thoughts on Singapore merging with Malaysia again despite their earlier break-up which was "painful". There are lots of benefits to this, he pointed out, so could Mr Ho envision this happening in the next 50 years? Merger with Malaysia, Mr Ho replied, was "utterly compelling" from a theoretical economic perspective, but politically impossible. "In my view, the issues, the development direction that Singapore has moved towards, the values that we have developed as totally core to us and what Malaysia has moved towards are so fundamentally different," he said. A more germane question, added Mr Ho, was what the quality of relations between Singapore and Malaysia would be like in the next 50 years.

A student in the audience then sought to discuss Mr Ho's suggestion of a more holistic index of progress, noting that an index seemed to prescribe a certain notion of success and this ignored that there was a plurality of thought of what constitutes success. Mr Ho conceded that having an index that encompassed everyone's goals would prove an uphill task, but pointed to how the Gross Domestic Product (GDP) and Gross National Product (GNP) as it stood were inadequate indicators of progress. More importantly, he said, the debate ignited in piecing such an index together would enable Singaporeans to better understand what drives them as a society. "The journey is half of the goal," he said.

It was suggested that retirees could consider retiring overseas if affordability was a pressing issue to them. Mr Ho disagreed with the notion. Drawing on his experience in investing in Bintan, he said that any large-scale movement of Singaporeans would only come about if the "physical location for all practical purposes is going to be like a Singapore for them". This would mean, he said, having the same legal system, social stability and medical access. "When you're a retiree, you don't just look for a cheaper place. You need to go look for a place where you have the same sense of community and a same sense of security," he replied.

Drawing from Mr Ho's call for a more tolerant society to attract and foster innovative people, an audience member asked if the government would buy into the economic rationale for political openness and creativity. "I don't have the faintest clue," Mr Ho initially replied, to some laughter from the audience. He, however, elaborated that anecdotally, there was a "clear recognition that there is an economic dimension to openness, inclusion and diversity". The tension, he described, was in ascertaining how much to open up, and was something even people who bought into the argument exhibited.

Mr Ho ended his lecture on an optimistic note, reflecting on how economics, at its core, was about its propensity to allow human society to collide, collude and make mistakes, yet ultimately progress collectively. "I am confident that our people can come together to ensure that our economy will not only make us materially better off, but it can, with the proper policies, enable the cohesive diversity which I have always held as a vision, to truly become a reality," he concluded.

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Established in 2013, the [S R Nathan Fellowship for the Study of Singapore](#) aims to advance public understanding and discussion of issues of critical national interest. The first S R Nathan Fellow was appointed in July 2014.

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