

Singapore
FUTURES
Scenarios for the Next Generation

*Friday, 1 February 2008
Island Ballroom, Shangri-La Hotel*

Report

Introduction to Report

On 1 February 2008, the Institute of Policy Studies held a special edition of its flagship conference, Singapore Perspectives, to celebrate her 20th Anniversary. The conference was a culmination of a two year project called “Singapore Futures. Scenarios for the Next Generation” which invited intellectuals to develop scenarios of Singapore in 2030. The project covered a wide range of policy areas, and benefited from input through numerous workshops from key stakeholders, public officials and other academics.

Over 900 people attended the conference which went beyond presentations of the views of contributors to the project to also invite Minister Mentor Lee and four Cabinet Ministers to offer their views on the same topic of how Singaporeans will live, work and play in 2030.

This report is an abbreviated record of the rich menu of ideas and issues that were raised at the event. We invite you to read it and add to the national conversation on the future that we are shaping today for the generation to come.

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25 April 2008

PROGRAMME (As at 4 Feb 2008)

- 9.00 am - 9.15 am **Welcome Remarks**
Prof Wang Gungwu
Chairman
Lee Kuan Yew School of Public Policy
and
Prof Tommy Koh
Chairman
Institute of Policy Studies
- 9.15 am - 10.30 am **PLENARY SESSION I**

Chairperson:
Mr Lee Tzu Yang
Chairman
Shell Companies in Singapore

Inevitable Surprises for Singapore 2030
Mr Peter Schwartz
Co-Founder and Chairman
Global Business Network

Open Discussion
- 10.30 am - 11.00 am **Coffee Break**
- 11.00 am - 12.30 pm **PLENARY SESSION II**

Chairperson:
Mr Hsieh Tsun-yan
Director
McKinsey & Company Singapore Pte Ltd

Drivers of Change
Dr Gillian Koh
Senior Research Fellow
Institute of Policy Studies

The Singapore Economy 2030
Dr Teh Kok Peng
President
GIC Special Investments Pte Ltd
Singapore: The Art of Building a Global City
Mr Sanjeev Sanyal
Chief Economist
Deutsche Bank

Open Discussion

12.30 pm – 1.30 pm

PLENARY SESSION III

Chairperson:
Prof Tommy Koh

Singapore 2030
Minister Mentor Lee Kuan Yew
Prime Minister's Office

1.30 pm – 2.30 pm

Lunch

2.30 pm – 4.00 pm

PARALLEL SESSIONS

Pan-Asian Development and Geopolitics

Chairperson:
Assoc Prof Simon Tay
Chairman
Singapore Institute of International Affairs

Singapore in the International System
Dr Evelyn Goh
University Lecturer
International Relations
St Anne's College, University of Oxford

**Regional Economic Integration and
Implications for Singapore**
Dr Denis Hew
Senior Fellow
Regional Economic Studies
Institute of Southeast Asian Studies
and
Dr Rahul Sen
Lecturer, Business Economics
AUT School of Business
Auckland University of Technology

Pragmatics of Business and the Economy

Chairperson:
Mr Manu Bhaskaran
Partner and Member of the Board
Centennial Group Inc

Singapore's Economic Dynamism: The Next 25 Years
Assoc Prof Winston Koh
Associate Dean
School of Economics
Singapore Management University

Skills Shortages and the Wage Gap in Singapore
Assoc Prof Hui Weng Tat
Vice-Dean
Academic Affairs
Lee Kuan Yew School of Public Policy

and
Dr Ruby Toh
Research Fellow
Lee Kuan Yew School of Public Policy

People and Social Structure

Chairperson:
Assoc Prof Tan Ern Ser
Department of Sociology
Faculty of Arts and Social Sciences
National University of Singapore

The Family and Changing Social Structure

Prof Gavin Jones
Research Leader
Asia Research Institute

**The Economics and Politics of Income Inequality and
Wage Stagnation In Singapore**

Mr Yeoh Lam Keong
Vice President
Economic Society of Singapore

Politics

Chairperson:
Prof Chua Beng Huat
Research Leader
Asia Research Institute

Imagining Singapore Politics in 2030

Ms Zuraidah Ibrahim
Political Editor
The Straits Times
and
Mr Peh Shing Huei
Correspondent
Political Desk
The Straits Times

ICT Myths and Singapore Realities

Mr Arun Mahizhnan
Deputy Director
Institute of Policy Studies
and
Mr Tan Tarn How
Senior Research Fellow
Institute of Policy Studies

Population Projections and Urban Planning

Chairperson:

Prof Ooi Giok Ling
Humanities and Social Studies Education
National Institute Education

Singapore: Demographic Trends and Social Security

Dr Yap Mui Teng
Senior Research Fellow
Institute of Policy Studies
and
Dr G Shantakumar
Consultant Demographer,
Statistician and Market Researcher

Land Use Planning and the Environment

Dr Malone-Lee Lai Choo
Director
Environmental Management Programme
School of Design and Environment
National University of Singapore
and
Dr Chua Yang Liang
Associate Director
Head of Research, Singapore
Jones Lang LaSalle

Healthcare for the Future

Assoc Prof Phua Kai Hong
Lee Kuan Yew School of Public Policy
and
Dr Vernon Lee Jian Ming
Public Health Physician

Philosophies of Nation and Identity

Chairperson:

Dr Cherian George
Acting Head
Division of Journalism and Publishing
Wee Kim Wee School of Communication and Information
Nanyang Technological University

Singapore and the Threats to National Security

Dr Norman Vasu
Assistant Professor
S Rajaratnam School of International Studies
and
Ms Yolanda Chin
Associate Research Fellow
S Rajaratnam School of International Studies

Multiculturalism, Identity and Citizenship

Assoc Prof Tan Sor Hoon
Head
Department of Philosophy
Faculty of Arts and Social Sciences
National University of Singapore

4.00 pm - 4.30 pm

Coffee Break

4.30 pm - 6.00 pm

PLENARY SESSION IV

Dialogue on the Future

Chairperson:

Prof Kishore Mahbubani
Dean
Lee Kuan Yew School of Public Policy

Panellists:

Minister George Yeo Yong-Boon
Minister for Foreign Affairs

Minister Lim Swee Say
Prime Minister's Office

Minister Yaacob Ibrahim
Minister for the Environment and Water Resources &
Minister-in-Charge of Muslim Affairs

Minister Khaw Boon Wan
Minister for Health

Open Discussion

6.00 pm - 6.10 pm

Closing Remarks

Dr Gillian Koh

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Executive Summary

Plenary Session 1

1. While Singapore had seen four decades of successful development, keynote speaker, Mr Peter Schwartz said that ‘maintaining status quo was a high risk strategy’ and that given the more complex and uncertain world we faced today, Singapore needed to plan and anticipate surprises even while she was enjoying success. It was imperative that Singapore developed intelligent ways to ask questions about future scenarios and develop the adaptive capacity to respond effectively if surprises, internal or external, were to come along.

2. In doing so, we should take cognisance of global scenarios of an integrating and fragmenting world, and also questions of whether we would see continued growth in the global economy, how wealth would be distributed, whether the great powers could avoid global conflict and the ecological health of our globe over the next 25 years. Also, consider that it was likely that China, being relatively free from ethnic strife and strong governance capacity was most likely to be a great power by then, whereas India’s internal dynamics and complex political system would require a great deal of resources to resolve and overcome for her to do likewise. If there were a change in American leadership and policy towards greater multilateralism, we could also be more optimistic about stability and growth in the Middle East. Singapore was already a great place to live and play in, but the way for us to stay in the first league of cities was to network with other cities, regionally or globally.

Plenary Session II

3. Speakers in this session presented several possible ‘futures’ or scenarios of Singapore in 2030. The critical questions were what were the new insights that they throw up as they are placed beside each other, what were the risks or trade-offs involved in choosing one strategy over the other and their impact on what it meant to be ‘Singaporean’. These could inform our day-to-day choices but also the large policy questions that would shape our future in 2030.

4. The first speaker presented two alternative scenarios of ‘F1SGP’ with Singapore relying on the Market and global governance solutions to possible challenges she might face, and the second, ‘We, the People of Asia’, where she would tap the resources and opportunities of the hinterland, and develop regionally-based collective action instead.

5. The second speaker cited data on Singapore’s demography, public finances and trade balances in his presentation. He suggested that over the next 25 years, increasingly scarce labour resources would tame the income gap, but an ageing population would present fiscal challenges to Singapore. Singapore needed to grow her external wing more aggressively to increase potentially more lucrative returns from direct investments overseas as well as tap opportunities of

a gradual shift in global trade towards markets in Asia. This would be the result of the relative decline of the United States as an engine of growth. This would also be because high energy costs which would mean higher transportation costs compounded with imputed costs of carbon emissions would make intra-regional trade more attractive.

6. The third speaker spoke about Singapore's ambitions to be a global city. While this ambition played to her strengths of being a cosmopolitan city, she needed a greater critical mass of different talents to achieve an attractive agglomeration of services and trade that typified a global city. She could perhaps explore closer integration with her hinterland to tap human resources. Meanwhile, Singapore needed to be careful not to over-build to accommodate these activities and talent as these would diffuse them too far across the city. This scenario could also mean that Singapore would become 'part-home' and 'part-hotel' to many in the city but it was still possible to create a sense of community and meaningful social affiliations. It was not clear if it would affect Singaporeans' sense of obligation to National Service but on the other hand, if 'national service' could be more broadly defined to include more forms of community service, many more could demonstrate their sense of attachment to the country and her citizens in other practical ways.

Plenary Session III

7. This was a rich dialogue session with Minister Mentor Lee on his thoughts about what Singapore needed to do to be ready for 2030. MM Lee emphasised the critical need to retain local talent in Singapore and develop an ace team of leaders as well as strong governance institutions to guide her into the future. Singaporeans formed the 'hard drive' of the system. This was a far greater challenge than managing the social impact of large numbers of foreigners in Singapore.

9. It was imperative for Singapore that the global trade regime remained liberal and that the United States continued to sponsor geopolitical stability in the region. More could be done to facilitate and harness greater economic synergies between Singapore and her closest neighbours. As for social development, what the Government could do was to enhance the productive capacity of her people, help people own assets like their homes, and rely on special transfers rather than universal subsidies to ameliorate the problem of income disparities.

Parallel Session

Pan-Asian Development and Geopolitics

10. ASEAN was struggling to achieve its "FTA (Free Trade Agreements) plus" integration by 2015 but if it succeeded, the momentum could drive members to achieve a comprehensive East Asian FTA by 2020 and ultimately an East Asian Economic Community by 2030. A common market was not inconceivable. At

the moment however, the most enthusiastic drivers of the process were the countries with more open economies like Malaysia and Thailand. Participants felt heartened that a good deal of the momentum also came from ground up from businesses and the APEC Business Advisory Council. The Indo-Chinese CLMV (Cambodia, Laos, Myanmar, Vietnam) states would benefit from more technical and educational assistance to level them up and create a sense of solidarity in the community. Also, far more attention was needed in developing a working Dispute Settlement Mechanism to achieve the goals of integration. A prosperous ASEAN served Singapore's best interests, economically, and politically. Therefore, while Singapore adopted a hedging strategy of signing bilateral FTAs and continued to develop close links to other growth poles in the world, she should have every interest in ensuring the success of ASEAN's economic integration going forward.

Parallel Session

Pragmatics of Business and the Economy

11. The presenters showed projections of the demand and supply of different types of labour in Singapore till the year 2030. There was no clear consensus in the discussion on whether the wage gap between the skilled and low-waged workers would still be prevalent in 2030. One view was that the wage gap would be prevalent because of the depressed wages of the latter since there was a large supply of low skilled workers globally, and outsourcing, whereas the wages for the skilled worker would increase because of the skills shortage in Singapore and relative scarcity of talent globally. The other view was there would be relative scarcity of low skilled labour as the source countries of such labour like China and India would begin to enjoy development, and a reduced likelihood of such people leaving for work overseas. One estimate was that there would still be more than 1 million low skilled workers in Singapore over the next 30 years and from that perspective, it was an important issue to address.

12. By paying low skilled workers from abroad low wages, employers were perpetuating the low productivity cycle, but if they paid sustained by higher productivity, Singapore would still maintain her competitiveness and have workers who were more loyal and committed to their jobs. One suggestion from the session was for a policy that would allow low skilled foreign employees to change employers when they were in Singapore to allow for competition between employers. This could translate to higher wages and productivity in this sector.

Parallel Session

The Family and Changing Social Structures

13. The Family which has been a source of social support faces known threats and efforts should be taken to either mitigate against these, or re-orientate this support toward provision from the community or the state. On the other hand, there were trends to suggest that wages were stagnating for all but those workers who held masters or doctoral degrees. This was a global trend with implications again on whether citizens would be able to provide for themselves, and what they expected of the state to do in supporting them. There seemed to be scope for comparative studies of social support systems to understand how we could better provide for the elderly, the poor and the excluded. What were the progressive schemes that were effective? How would we establish the necessary level of provision? There was a need to calibrate systems so that only the needy received the help. Political courage was needed to resist including the middle classes or providing blanket entitlements which would be a tremendous fiscal burden to the state and tax payers. Specific suggestions from the session included looking into systems of social risk pooling, unemployment insurance, and improving continuing education and training. An effective social security net that did not undermine work incentives would then potentially be a source of long-term competitive advantage as it would enable Singapore to implement pro-globalisation economic reforms faster and more durably than its competitors.

Parallel Session

Politics

14. There seemed to be a consensus at this session that the most plausible scenario was that there would be only very gradual change in the political system from now till 2030 as most Singaporeans supported the status quo as long as their own self-interests, and the bread and butter issues were dealt with well. There were those who migrated perhaps because of better economic opportunities overseas or for alternative lifestyles and not so much because they were uncomfortable with political conditions here. Foreigners were attracted to Singapore in part because of the fairly 'uneventful political life' here and this would certainly support the current political regime.

15. However there were costs involved in having the one-party dominant system. Some of these costs were a sense that the system may not be entirely fair in how minorities were represented, a fear that the system lacked sufficient accountability, and that it alienated young Singaporeans looking for a more open system with opportunities to voice their views and hold different political positions. The New Media paradoxically demonstrated that Singaporeans were contented with the status quo. It was really the longer term impact of Mr Lee Kuan Yew leaving the scene - whether it would result in factionalism in the PAP, an erosion of elite cohesion - that was the real unknown.

Parallel Session

Population Projections and Urban Planning

16. The significant impact of the high level of migration into Singapore was already keenly felt by Singaporeans and had become an even more hotly debated issue after the announcement of the planning parameter of 6.5 million over the next 40 years by the authorities. While attracting immigrants to Singapore could well serve as a short-term solution to Singapore's population problem, it was crucial that emphasis remained on maintaining the right proportion of the working population vis-à-vis the elderly and young and finding ways to improve the productivity levels of local workers. Perhaps some fine-tuning of current pro-natalist policies to include permanent residents might attract them to sink roots and have more children here. Issues relating to healthcare, environmental sustainability, urban planning and the retaining of local talent should be managed carefully to ensure sustainable growth and positive social development of the Singapore population. 'Responsible consumption' was a way to ensure that Singapore would continue to enjoy sufficient capacity to grow.

Parallel Session

Philosophies of Nation and Identity

17. The nature of security threats discussed such as terrorism, self-radicalisation, environmental crises, and pandemics suggested the need for citizens to play a greater role in defining how they might be impacted by these and how they could help in addressing them. This seemed to require or force a new 'democratic culture' on Singaporeans. Singaporeans needed to be made more acutely aware of these threats to shake off their apathy and start engaging each other. Otherwise, there seemed to be little motivation to try to resolve problems through discussion; little patience for dealing with complexity in issues and the diversity of views. Likewise, if the imperative was to attract more 'foreign talent' to our shores, and if we recognised that Singaporeans were increasingly mobile, then the highly structured ways in which we conceived our multicultural society would need to admit a far more self-defined element of who we were. This would allow for greater diversity and sense of inclusion without, as speakers argued precipitating an erosion of the larger identity of being 'Singaporean'.

Plenary Session IV

18. This dialogue session with four Cabinet Ministers covered a wide range of issues. On the Economy, the conference discussed how and why annual targets for economic growth were set at high rates of 6-7% rather than the 3% typical of maturing economies. This was based on the assumption that Singapore wanted to ride the wave of a rising Asia, and also that the sectors in which Singapore tried to attract foreign direct investment in were usually large and lumpy. While they demanded more resources than we could afford, the attitude of the Government was that we should stay competitive and look for ways to break bottlenecks to growth in pro-business and pro-worker ways to secure these

investments and activities. Necessity had also forced Singapore to look for creative solutions to overcome her limits, like NEWater. This would be the same in dealing with energy – looking for renewal sources. Singapore was one country that enjoyed both high growth and low unemployment and this was to the credit of Government that was not only pro-business but pro-worker.

19. On social safety nets, the PAP Government was concerned about the well-being of all sectors of society. If it only targeted the poorest 20% of the population, it would not be able to carry the vote at election time. However, it was also true that this segment of the population was still better off than the same in many other countries. In shaping policies like means-testing, the Government would look at the nature of the burden across the board, and would try its best to ensure that policy was viewed as fair. In the case of healthcare, the means-testing criteria were set quite high so that at least half of all workers would receive some government subsidy.

20. On leadership, it was recognised that Singapore not only needed good people in Government but also across the private and civic sectors too. It was important that Singapore faced up to the constant challenge of survival, otherwise, citizens would become smug, self-satisfied and arrogant and decline would set in. Instead, they were now aware of their vulnerabilities, they were creative and vigilant. The Government was also allowing for greater space for dialogue, dissent, and public consultation as policies or programmes were formulated. On dual citizenship, it was unlikely that a small country like Singapore with the sense of insecurity that she had, would allow for dual citizenship. It would undermine national defence which was a fundamental requirement for Singapore's survival.

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Plenary Session I

“Inevitable Surprises for Singapore 2030”

Peter Schwartz

Introduction

1. The Chairperson of the first Plenary Session, Mr Lee Tzu Yang—Chairman of The Shell Companies in Singapore, began with an introduction of Mr Peter Schwartz. An internationally renowned futurist, Mr Schwartz had worked and consulted with businesses and state policy makers including the Singapore Government. A prolific speaker and author of books such as *The Art of the Long View*, Mr Schwartz had worked as a consultant to Hollywood films like *Minority Report* and *Deep Impact*. Mr Lee was glad that Mr Schwartz had this opportunity to share his insights with a broader audience at the conference.

Inevitable Surprises for Singapore 2030

2. Mr Schwartz mentioned that his first visit to Singapore was in 1967. Since then, he had formed close relationships with the leaders of the country and watched the development of Singapore to what it was now. He expressed that it was a privilege to work with the Institute of Policy Studies, developing ideas, advancing views of the future and most importantly, fostering the art of asking of better questions about the future. Although one was generally optimistic about Singapore’s future, he warned that surprises, both negative and positive ones, were inevitable just as they had been since 1965 with the collapse of the Soviet Union and the end of the Cold war, the oil shocks, the Information Revolution, developments in transportation, successive waves of Asian growth, the 1997 Asian Financial Crisis and SARS.

3. The expectation for Singapore in 2030 was one of increasing prosperity that would be enjoyed by more people; that Singapore would be a dynamic economic and political hub, both in the region and the world. On the other hand, there were fears of income decline, a widening income gap, natural disasters due to climate change, a recurrence of race riots and the possibility of being caught between international conflicts that played out in the region.

4. Mr Schwartz pointed out the need to increase Singapore’s adaptive capacity as the rate of change in the world was accelerating. Maintaining status quo was a high-risk strategy. The advice was for Singapore to plan and anticipate surprises now that it was enjoying success. Options would be constrained when the situation was bad.

5. Comparing Nigeria which was rich in natural resources to Singapore which had none, the latter’s success story in relation to the former could be explained

by two key factors: good governance and its knowledge-driven economy (i.e. research & development, innovation, transportation). This model of success which included being integrated into the global economy was being replicated by China and India, although Mr Schwartz noted that India's political system was fraught with internal threats. China's rise and its increasing demand for energy would lead to higher prices, but it also threatened to increase pollution levels and challenged the possibility of sustainable growth.

6. Mr Schwartz believed that for Singapore to enjoy continued growth, we needed to keep improving our science & technology base, maintain our political stability, effectively manage the challenge of radical Islam, and respond to climate change and its effects on us. Focusing on climate change, Mr Schwartz understood the tension between increasing production and protecting the earth's environment. There had been an increase in experience of extreme weather in many parts of the world. Climate change and its implications for energy use, the economy and the technological infrastructure were great. It was therefore, important to learn how to do things nature's way and grow without destroying the environment. There was a dire need for rapid technological change. Three new directions that would drive the next scientific revolution would be nano-technology, clean energy technologies and biomedical technology such as regenerative medicine. As a result, service industries in healthcare, tourism, education and design would also be given a boost. With our research and development infrastructure in place, Singapore was well-placed to capitalise on these opportunities.

7. Considering year 2030, Mr Schwartz offered two global scenarios to consider and place Singapore within. The first was one of an integrated world resembling the 1990's where there was growing, free-flowing global trade, economic growth and equity, increasing travel and communications and political stability. The second was of a fragmented world, returning to the early 20th century where there was trade friction, increasing political conflict, institutional failure in global governance, misrepresentation and misjudgement, as evidenced by both World Wars. If we lived under the first scenario, Singapore could be a regional or global capital for business or politics. If we lived under the second scenario would our region be a China-centric one. How would we respond?

8. He concluded by stating that he only had questions, no answers. It would be up to the young and the leaders of Singapore to create, inspire, adapt and make changes towards that future.

Discussion

Geopolitics of Asia

9. One participant asked if the politics of envy would cause conflict between Singapore and her neighbours like Indonesia and Malaysia. Mr Schwartz found that unlikely as the politics of envy in Malaysia and Indonesia were internal, along ethnic-class lines and due to institutional failures within their respective societies. It was not so much directed towards Singapore as to their governments. It was possible however, that religious and ethnic issues in neighbouring countries could result in conflict in Singapore too.

10. Professor Tommy Koh followed up by stating his optimism for the ASEAN community and Singapore's key role in it. However, he was interested in finding out what Mr Schwartz's nightmare scenario for Singapore was. Mr Schwartz replied that the nightmare scenario was for the world to relive the early half of the 20th century where a major, catastrophic war either between China and India, or USA versus an 'Islamic Republic' was to take place. Other determining factors would be whether we could achieve sustainable growth, whether there would be equitable distribution of the rewards from that growth and whether the environment could be well-managed. If the answer to any of these questions was 'no', we would face a nightmare scenario.

11. Another participant noted that China and India were catching up with Singapore. What would be the social issues in China or India that would affect growth? Mr Schwartz replied that the history, culture and governance of these countries were very different. China was relatively free from ethnic strife and her government was strong and interested in being a global player. For these reasons, China was most likely to be a great power. On the other hand, India's internal dynamics and political system was complex and required a great deal of resources to resolve. At the global level, much of this conflict with the Islamic world was due to the American administration treating the Islamic world without dignity, respect or equity. If future American administrations were to bring about improvements in its engagement with the Middle East, the future would be more optimistic and growth could be harnessed.

12. Another hotly debated issue during the session was the correlation between authoritarian regimes and economic development. One participant wondered, given the current power and economic shift towards Asia, if this meant that authoritarian regimes and managed markets were more conducive for growth and that civil liberties were a distraction to economic growth? Mr Schwartz replied that Asia's success challenged the traditional model of how democracy was supposed to be conducive for capitalism. Given Korea's slow shift towards democracy, this would be an unresolved, cultural and historical question. At what stage of development would democracy become important in Asia? That remained to be seen. Another participant added on to this theme by looking at Singapore. Was Singapore's economic success a case for

authoritarianism? Mr Schwartz argued that this form of democracy was not a universal rule. To him, Singapore was a 'happy' accident, where people benefited from great leadership more than anything else.

Asia in relation to the 'West'

13. Prof Koh wondered if there was a difference between what the young in Asia felt about the future and those in the West. Mr Schwartz thought that the young in Asia were more optimistic about the future and harboured great ambitions whereas those in the West were experiencing a loss of faith in social structures and many feared being disenfranchised. Dean Kishore Mahbubani added to this by saying that over the past 60 years, the West had been seen as a solution to the world's problems but now there seemed to be pessimism in the West and the temptation to choose greater isolation and protectionism. Mr Schwartz argued that while this was evident in Europe, he was confident that it would not be the case with America. What America needed to do was to deal with climate change and avoid war with China, as both would have great consequences for the global economy. He noted that Asia provided a model of growth and governance. Singapore was well placed to play a lead role in an international environment agency that could help address climate change.

14. A participant commented that aggressive militarism of American, together with the recalcitrance of Israel precipitated the radicalising of Islam both in Asia and the Middle East. Mr Schwartz stated that change in America was just around the corner with the presidential elections and that whoever was the new resident of the White House would definitely return to a multilateral policy. The policy of the Bush Administration ought to be seen as an aberration, not the norm.

Governance in Singapore

15. Prof Koh commented that Mr Schwartz narrowed success down to a knowledge-driven economy and good governance. Were not good policies a factor of success too? Mr Schwartz believed that good policies were an outcome of good governance. Another participant wondered what Singapore could do to attract more wealth from countries like China and India. Mr Schwartz reassured the participant that the Government had already gotten it right. Singapore was a good place to live and play in. That would be the main draw for investments. Another question was on Singapore's prospects of being a global city in the likes of London and Shanghai. Mr Schwartz replied that great cities had always been engines of growth but cities also changed and could decline. The way to remain on top was through inter-networking between cities, regionally or globally.

16. Another participant suggested the need to establish more educational institutions that nurtured individuals of noble minds and that encouraged more people to work towards the greater good of mankind. Mr Schwartz argued that this was more a philosophical question as it was impossible to define wisdom and what was best for mankind.

Conclusion

17. Mr Schwartz emphasised that while Singapore had seen four decades of highly successful development, 'maintaining status quo was a high risk strategy'. It was imperative that Singapore developed intelligent ways to ask questions about the possible future scenarios she faced and in so doing, developed the adaptive capacity to respond effectively when surprises internal or external came along. We should take cognisance of global scenarios of an integrating and fragmenting world, but also questions of whether we would see continued growth of the global economy, how wealth would be distributed, whether the great powers could avoid global conflict and the ecological health of our globe over the next 25 years as we did so.

* * * * *

Plenary II
“Drivers of Change”
Gillian Koh

“The Singapore Economy 2030”
Teh Kok Peng

“Singapore: The Art of Building a Global City”
Sanjeev Sanyal

Introduction

1. The session was chaired by Mr Hsieh Tsun-yan, Director, McKinsey and Company Singapore Pte Ltd, and there were three speakers. The first, Dr Gillian Koh presented her view on the key drivers of change acting on Singapore over the next thirty years and two scenarios of Singapore in 2030. The second, Dr Teh Kok Peng presented his analysis of the key trends that would affect the economy and economic policy in Singapore in 2030. The third, Mr Sanjeev Sanyal shared his views on the defining characteristics of global cities and the prospects yet risks of Singapore truly joining that league.

2. Mr. Hsieh Tsun-yan began the session by suggesting that the audience could look at the forces of change that would be discussed from two different perspectives - either at the level of the choices society had to make or the level of the choices an individual had to make in anticipating the future.

3. He added that there were three key questions the audience should keep in mind as the different scenarios were discussed - first, should Singapore continue to rely on the ability of the state or some central authority to drive planning or should it focus on developing adaptive capacity throughout society. Second, should Singapore focus its efforts on one or two key sectors, or should it let market and other forces drive sector development more organically? Third, how might the trends affect members of the audience personally? What did they want out of life in Singapore? What would it mean to be a Singaporean in 2030?

Drivers of Change

4. Dr Gillian Koh introduced three drivers of change, climate change, communications and community that had the potential to change the rules of the game in politics, business and society in Singapore in 2030.

5. Dr Koh commented that climate change would affect the region significantly as it depended very much on agricultural production. Food security would be severely affected should weather patterns change and food supply

would be unable to meet demand in the region. This would result in dire consequences. Climate change would affect the living environment, our air quality, temperatures and weather patterns. The question was, should we depend on global or regional policies to solve these issues and ensure that life would be sustainable? Would we be proactive in securing food supplies, or would we simply rely on the market mechanism to deal with this challenge?

6. The second driver of change she cited was communications. The physical aspects of communications like our air and sea ports were the lifeblood of the Singapore economy. Logistics was a key industry here. Looking to the future, should Singapore companies try even harder to secure key nodes in the global network or focus on opportunities developments in rail, air and sea travel currently under-supplied in the regional hinterland? On the virtual aspect of communications, Information and Communications Technology (ICT) had allowed for new forms of businesses, social networking and media to develop. Who would control these media and what would the industry structure be like? What sort of content would they have and how would they affect identities and sense of community in Singapore and the region?

7. The third driver of change Dr Koh discussed were developments related to the community. The first aspect of that was how income disparities might grow. The income divide in Singapore would be determined by the structure of the economy; the sorts of industries that would be thriving at the time. Should the focus be on high-end manufacturing or on value-rich services? How would this affect the distribution of income? Would this exacerbate or ameliorate the politics of envy? In the identity spectrum, there were two key types of social capital. First, the bonding kind of capital which enhanced the exclusive identities found in small groups like racial or religious identities. The second was the bridging kind of social capital which transcended racial and religious by developing broader collective identities like national or regional ones. What would the state of these identities be? What would it mean to be 'Singaporean'? How would we keep these two forms of identities in balance?

8. Pulling these threads together, Dr Koh presented two scenarios. Firstly, F1SGP, a market driven model aimed at high octane growth where Singapore was a key node in a global economy. The other scenario, 'We the people of Asia' was where Singapore was more closely tied to the hinterland with the focus on developing internal and regional productive capacities with strong links to our Southeast Asian hinterland.

9. She added that in scenario F1SGP, as the economy would be market driven, scarcity and sufficiency of food would be decided by the market. However, in the other scenario, Singapore would be a hub for trade in food whilst developing high tech agricultural facilities to boost production of food and distribute the products within and beyond the region. With respect to climate change, F1SGP would play its part to boost the development of global

governance on climate change and rely on such mechanisms to secure the immediate conditions facing Singapore. In the other scenario, due to close links with regional governments, there would be a sense of collective responsibility in ensuring that the surrounding environment was liveable. In the community aspect, F1SGP would thrive as a creative hub and magnet for talent. In addition, there would be an emergence of philanthropy that ensured that the less well-off could ride on this progress as well. In the other scenario, the region would focus on progressing together. There would be more state direction towards rediscovering the hinterland and developing different forms of affinity with the region. However, there would also be state and community-based action within Singapore to ensure social mobility and cohesion.

10. Dr Koh ended her presentation on the different stumbling blocks Singapore faced in achieving each of the scenarios as well as the risks that might result from pursuing each of them.

The Singapore Economy 2030

11. Dr. Teh Kok Peng began by saying that his analysis was guided by four long-term trends. These were first, the low and falling fertility rates in Singapore, China and the developed world; second, the relative scarcity of low-skilled workers in Singapore; third, continued growth in Asia with the accompanying improvement in quality of the workforce and development of transportation networks regionally; and fourth, the increasing concerns about climate change and the introduction of stronger policies to curb emissions in the region and globally. He proceeded to discuss how these would impact the Singapore economy in 2030.

12. First, he addressed the question of wages and income distribution. He noted that by 2030, the proportion of the working age population between ages of 15 to 64 would decline from 72% in 2005 to 65.9%, and that the proportion of retired seniors would increase from 8.4% in 2005 to 18.7%. Similar trends would take place in China and India and most certainly, in the developed countries. Labour would be a much scarcer resource. In Singapore, we would see skill levels rise with investments in education and training. With improving growth rates in the rest of Asia, the real wage of unskilled workers in those countries would also increase. Hence by 2030, with the relative scarcity of unskilled workers due to the reduced supply of unskilled workers from the rest of Asia, the higher supply of skilled labour would work to ensure that the real wage of unskilled labour in Singapore would rise. In that way, the problem of a growing income divide would surely be ameliorated.

13. Second, he addressed the question of maintaining the fiscal balance of the economy. Using statistical data, he demonstrated that the overall fiscal surpluses as a percentage of gross domestic product (GDP) had declined over

the years. While government expenditure had remained relatively constant, government revenue as a percentage of GDP had fallen in small and gradual measures. Dr Teh argued that the trend for expenditures was that those on health and defence were likely to rise to adjust to the demographic changes and revenues in terms of direct taxes especially on income, were likely to fall because of the smaller working population. There was a limit to how much indirect taxes like the Goods and Services Tax could be raised to make up for the shortfall. Dr Teh then highlighted two specific items in the balance. First, 'special transfers'. He said that this was likely to become recurrent spending and at much higher rates. Second, on 'net investment income', Dr Teh thought that this would potentially become a more important source of government revenue except that it would be a challenge to enjoy the sort of attractive rates of return on portfolio investment as had been possible in the last quarter of a century. Returns would be shaved because of the competition from other sovereign wealth funds, and even if Singapore explored emerging markets with higher returns, it would take a long time before their financial markets could grow to the size and depth needed. Also, because of the changing demographic landscape, the return to capital would be eroded by the price of labour.

14. Third, Dr Teh investigated the state of Singapore's current account to discuss the sort of economic structure we might have in 2030. He noted how Singapore enjoyed a strong surplus on the balance of trade item, and on the other hand, the declining surpluses on the balance of services item. It was an anomaly that Singapore had maintained a strong manufacturing sector where most developed economies would have seen expansions of their services sector at the expense of manufacturing as they matured. Could Singapore continue to maintain her strength in manufacturing or were we now at the 'high-noon of manufacturing'? On the income balance, Dr Teh highlighted how Singapore seemed to have a deficit in this area over recent years. He explained that most investments out of Singapore took the form of portfolio investments while investments into Singapore took the form of direct investments that earned a rate of return that was much higher than from the former. This demonstrated the imperative for Singapore to grow an external wing to her economy much like the Swiss economy that benefited tremendously from overseas direct investment income.

15. Fourth, Dr Teh looked at trade patterns. He noted that there had been a gradual shift in trade towards markets in Asia and this was likely to grow in a dramatic way for four reasons. First, that the United States (US) was likely to become a weaker source of export demand as it adjusted to the trends of the past year with the current decline of the US dollar and likely recession. He considered this to be the beginning of a longer term trend since the existing current account imbalance between the US and Asia was not sustainable. Next, trade links would grow as we witnessed economic reform in the larger countries in Asia. Third, various free trade arrangements and improvements in transport infrastructure would facilitate stronger trade flows. Fourth, the high energy cost

and the imputation of the cost of carbon emissions on transportation costs would make intra-Asian trade more attractive.

16. As the neighbouring countries saw improvements in skill sets of their workers and as they industrialised, their comparative advantage would improve vis-à-vis Singapore. Singapore needed to ramp up its high-value-added, knowledge-intensive activities, develop niche manufacturing and find more ways to exploit her superb infrastructure and, legal and governance systems to remain a vibrant economy in 2030.

Singapore: The Art of Building a Global City

17. Mr Sanjeev Sanyal began by saying that we needed to take a step back – before we even thought of Singapore as a society, economy or country, we need to consider it as a ‘city’. With the development of ICT, people anticipated the demise of The City as they no longer needed to live in crowded cities for work. Indeed, up till a decade ago, cities like New York and London seemed to be in terminal decline but trends had reversed and cities have never had it so good. As it turned out, in the 21st century, creative economic activity now depended on face-to-face contact to create value. Mr Sanyal said, “you can’t email trust, fuzzy information or creativity”. These were best conveyed through rich face-to-face interactions. The knowledge workers who created this value required the dense co-location of a lot of other businesses and lifestyle amenities so that they were immediately available in one concentrated space. This made cities relevant again. The world was not flat but ‘lumpy’, argued Mr Sanyal, and this was characterised by the networks of nodes or concentrations of this human capital. The pinnacle of this phenomenon was evident in the global cities like London and New York.

18. As Asia developed, her cities would arise as key nodes in the system, and Singapore, he recognised, aspired to be one of these. It was a worthy ambition but one had to understand that this was a highly competitive game – ‘the winner takes all’. Once a minimum cluster of human capital had developed, it would grow quickly and would also become difficult to re-locate. London, for instance, had emptied out talent from Europe, and not the weather, nor the cost of living, or even threats of terrorism that could throw her off the lead she now had.

19. The Global City strategy for Singapore played to her strengths. No Asian city could match Singapore’s cosmopolitan mix of people and cultures. She had civic amenities that were unmatched in the region and, certainly good governance where the Government itself was keen to pursue such a goal. There were, however, a few points to bear in mind in the dynamic involved in growing a global city. First, global cities were ‘generalists, not specialists’ – they welcomed clustering of lots of activities; a mix and match of activities. To support this, one needed a minimum threshold of activity and a critical mass of people.

Singapore's population size was too low to support this presently but, to grow, she would have to rely almost exclusively on immigration. This would throw up the challenge of maintaining social peace and sense of identity.

20. Second, great cities, if not global cities extended into their hinterland to become one large urban system. This was the case with London and the South of England. 'Singapore, the city' would then have to be thought of as being much larger than the 'Singapore, the country'. Hence, the ambition to be a global city was complicated by the fact that the hinterland lay in some other country.

21. Finally, the last problem was the danger of over-building. The logic was that in creating clusters, it was ideal to build less and keep people together, rather than to over-build so that people would be kept apart. It was better to have 'one lively, swinging bar than half a dozen half empty ones'. It was 'optimal' to build short of 'just right'. Was this something our planners could resist?

Discussion

Singapore: Home or Hotel?

22. One participant felt that the three presentations raised the classic question of whether the Singapore of the future would be 'home or hotel'. Mr Sanjeev said that global cities were always part-home and part-hotel as residents were constantly moving in and out. To create a sense of community one needed a rooted population and that was indeed a tricky balance to strike. What London and New York did was to create an atmosphere where non-citizens would feel at home when they were there. In fact, Singapore did rather well at that too. Dr. Koh added that in her scenario of F1SGP, 'Singaporeanness' did not have a high signature level but the affiliations to home did not have to be hitched to national identity. Instead, affiliations could be hitched to ethnicity, religious faith or among people who had similar origins or lived in the same community. In the second scenario, it would be the threats to the broader regional community - climate change, a rising China and India that would force the people in Singapore and region to re-visit their commonalities, their geography and tap those to adapt to those challenges.

Future of National Service

23. Another participant asked how the role of National Service would evolve if Singapore became a global city. Would the service also evolve to include other sorts of activities like community service? How would we treat Singaporeans who may have "gone overseas" and tried to return, something which had caused a public uproar (referring to cases where people who had left without first fulfilling their national service but would now be the sort of talent that Singapore would wish to attract back)? In the end, would our nation-building strategies have to change given that National Service was integral to that thus far? Dr. Koh countered that changing perceptions of the nature of threats would in turn

change the level of emphasis on defence strategies and hence, National Service. The population's perception of threat would also diminish compared to the past especially in the 'We the people of Asia' scenario. The role of diplomacy was critical in ensuring that the level of real and perceived threat was diminished. In the first scenario, Singapore would be trying as hard as possible to help shape the global governance system of the future and therefore we would need to take into greater account the changing geopolitical scene. She recognised that with the influx of foreign residents as a result of Singapore becoming a global city in the first scenario, F1SGP, 'legacy Singaporeans' would have conflicting feelings towards their obligation to National Service. The winners within the economy would have to reach out to those who were struggling so as to foster a sense of community where everyone would feel they had a stake in ensuring that Singapore remained a thriving city. Mr. Hsieh suggested that the notion of National Service should evolve to include people of all ages and walks of life, as he had seen friends being involved in 'national service' through their community service. It could include community service in education and healthcare. These should be formally recognised to increase the sense of rootedness.

Trust in the ICT World

24. A third participant pointed out that National Service was a lot more than defence. It served other social purposes like providing universal health checks on young people. This was so for the girls at one point. She added that on the question of whether information technology could engender trust, she noted as advisor to the Juvenile Courts, that the youth seemed to do that all the time. Perhaps it was only the elites that could not do it and hence the statement Mr Sanyal had made deserved to be qualified. Mr Sanyal agreed and said that the vision of Singapore as a global city was indeed an elitist model and that the elites did have a problem with it.

Conclusion

25. There were many ways in which to frame the question of what Singapore might be like in 2030. The critical questions were what were the new insights that they throw up as they were placed beside each other, what were the risks or trade-offs involved in choosing one strategy over the other and their impact on what it meant to be 'Singaporean'. These should inform our day-to-day choices but also the large policy questions that would shape the future we would arrive at in 2030.

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PLENARY SESSION III

“SINGAPORE 2030”

Dialogue Session with Minister Mentor Lee Kuan Yew

Introduction

1. In this session chaired by Prof Tommy Koh, Chairman of the Institute of Policy Studies, Minister Mentor Lee Kuan Yew (MM Lee) shared his thoughts on the future of Singapore which included his views on the geopolitics of the region, specifically the role of the US in Asia, the task of leadership renewal in Singapore, the management of various challenges to social cohesion, political and urban development.

Discussion:

Globalisation and Regional Integration

2. Dean Kishore Mahbubani posed the first question to Minister Mentor quoting Mr Peter Schwartz’s dictum that ‘a status quo strategy would be the most dangerous strategy to adopt and that previous success was the enemy of future success’ when thinking about how to plan for the future. He asked MM Lee for his comment on that.

3. MM Lee highlighted how Singapore had been able to adapt to the rapidly changing global environment by adopting a “rolling plan”. Rather than depend on fixed Five Year Plans, plans were reviewed and reshaped on an annual basis to incorporate changing trends, political forces and any sudden turn of events that may have occurred in the global community. Such an approach in Government was especially critical given that Singapore’s progress was largely dependent on her external environment. MM Lee emphasised that Singapore’s future depended on a continued trend of globalisation, despite the unhappiness and discomfort that it also brought worldwide. Given the assumption that the international order as we knew it today remained and the American armed forces stayed on course as the backdrop to security in the region, the process of regional integration would then, serve as a key strategy to remaining competitive in the future.

Finding the Next ‘A Team’ of Leaders

4. More importantly, the future of Singapore MM Lee said, was contingent on identifying an ‘A Team’ to lead the next generation. To ensure that Singapore remained competitive, she had to continually distinguish herself from competitors. If, within the next two elections, a fourth generation ‘A Team’ with the ability, integrity and capability to lead could not be found from the Singapore pool of talent then what the original team had done with Singapore could peter out. The challenge of sourcing for sufficient Singapore talent to fill the ranks of

the administration, army, police, the professions, private sector and academia; was a great challenge. Referring to the first generation 'A Team' that was culled from a wider base of talent, MM Lee reminded the audience that only two out of ten ministers on the team then had been 'born and bred' in Singapore. Now that Singapore seemed confined solely to a Singapore team, MM emphasised the inevitable limitations. Likening it to a contrast between deep-sea fishing in the South China Sea vis-à-vis the Sentosa Lagoon, one would expect distinct differences in both the size and sinews of the fish. With countries like Australia and New Zealand going the way of America and Canada in welcoming foreign talent, the problem was further exacerbated as our brightest students who were highly sought after overseas, could be attracted to stay away rather than return and serve the needs back home, say, through government scholarships. What was essential was to have a team of leaders who were forward-thinking and were able to analyse carefully what was the best policy option before selling it to the people. Citing Electronic Road Pricing as an example where predictions of consumer behaviour were somewhat inaccurate, MM Lee highlighted the alternative solutions that have quickly arisen to cope with problems of traffic congestion. With examples of a post-Suharto Indonesia and Taiwan, MM Lee highlighted the importance of strong political leadership for the future of a country. The key to Singapore's future was for the people to vote in the capable, the solid and the honest. The problem therefore remained - that Singapore did not have the numbers to ensure that there would always be such an 'A Team'.

Optimal Population Size

5. In relation to Mr Sanjeev Sanyal's presentation on "Singapore: The Art of Building a Global City" earlier, Professor Tommy Koh expressed an interest in hearing MM Lee's views on three challenges highlighted by Mr Sanyal. By 'importing' so many new Singaporeans each year, what would this do to the Singaporean identity and sense of rootedness? Also, in light of the high level of immigration, would Singapore then run the risk of over-building? Finally, how could Singapore become more integrated with its two neighbours, namely Malaysia and Indonesia?

6. Rather than a 6.5 million population size for Singapore, MM Lee shared that he felt that an optimum population size was somewhere between 5 to 5.5 million instead. Unlike Hong Kong which was "a borrowed place on borrowed time", Singaporeans as sovereigns of our own land, should seek to preserve the open spaces and sense of comfort that people had enjoyed so far. While Singapore might not be able to compete with great cities such as New York or London, she could more than hold her own against her Pacific-Asian counterparts such as Tokyo, Shanghai, Hong Kong or Sydney. Regardless of one's ethnicity or nationality, the cosmopolitan environment and atmosphere that was a consequence of Singapore's past could mitigate against any sense of unwelcome one might feel as a foreigner.

7. According to MM Lee, the critical issue lay in whether Singaporeans born and bred here would choose to leave and venture overseas rather than remain in Singapore. As guarantors of key values that defined Singapore, the loss of local talent was a greater threat than that posed by incoming foreign talent. The Singaporean provided the 'hard drive' of the system, while the foreign talent provided the 'megabytes'. There was hence a real need to ensure that we were able to keep our own top talent.

8. MM also added that Singapore should be better integrated with its hinterland. He believed that closer bilateral cooperation between Malaysia and Singapore would be beneficial. MM highlighted that enhanced connectivity and collaboration through strategies such as the establishment of a high-speed rail link to Malaysia had been explored. While Singapore would greatly benefit from it, Malaysia stood to benefit even more and he invited the latter to take the lead on such proposals to achieve greater synergy.

Growing Disparities in Singapore

9. Another issue on the top of the mind of many speakers was the issue of equity. With the entry of countries like China, India, Eastern Europe and Central Asia into the world trading system, the sudden influx of skilled and semi-skilled workers into the global labour market had exacerbated the problem of growing income disparity in Singapore. Sharing his insights on ways to reduce income disparities and to help the lower income groups in Singapore, MM emphasised how the Government had made the effort to improve the employability of Singaporeans. Jobs were also being reconfigured to offer employment for the unemployed or to increase wages. The Workfare Scheme and other supplementary schemes had been instituted to make up for any shortfall.

Emphasis on Individual Responsibility

10. To manage the problem of the income disparity between the successful and the less successful in Singapore, the Government had worked to ensure that Singaporeans could own their homes. Rather than the provision of direct subsidies that could encourage over-consumption, individual responsibility was instilled through this sort of asset ownership. Subsidies were provided only in areas where expenditure was deemed inevitable (like conservancy charges, water and power charges). Disparities would therefore remain primarily in the area of current income. MM Lee also underscored the need for each Singaporean to take charge of their own health and medical needs although the Government would occasionally top-up Medisave funds for instance which would be more important for the people who were less successful and had less resources. They should not feel deprived. MM Lee added that when the Chinese, Indians as well as other developing regions began to enjoy development and produced their own managers and professionals, semi-skilled

labour would once again become comparatively scarcer and the disparities in Singapore would narrow.

Evolution of the Singaporean System of Democracy

11. Prof Koh asked if Singapore, like other mature democracies, might allow the establishment of an ombudsman or a national human rights commission to improve governance. MM Lee said it was a decision that had to be made by the current generation of leaders. However, in line with his belief that the main purpose of such institutions was to mitigate the consequences of misgovernment in a country, MM Lee was convinced that the instituting of additional political 'policemen' in Singapore was not necessary. Using the Philippines as an illustration, he argued that the existence of such institutions merely provided an illusion of political policing. Wrong-doing could continue and wrong-doers could still be set free.

Conclusion

12. MM Lee emphasised the critical need to retain local talent in Singapore and develop an ace team of leaders as well as strong governance institutions to guide her into the future. Singaporeans formed the 'hard drive' of the system. Achieving these was a far greater challenge than managing the social impact of large numbers of foreign workers or immigrants coming to Singapore. It was imperative for Singapore that the global trade regime remained liberal and that the United States continued to sponsor geopolitical stability in the region. More could be done to facilitate and harness greater economic synergies between Singapore and her closest neighbours. As for social development, what the Government could do was to enhance the productive capacity of her people, help people own assets like their homes, and rely on transfers to help the poor rather than subsidies to ameliorate the problem of income disparities.

PARALLEL SESSION PAN-ASIAN DEVELOPMENT AND GEOPOLITICS

“Singapore in the International System”

Evelyn Goh

“Regional Economic Integration and Implications for Singapore”

Denis Hew and Rahul Sen

Introduction

1. This session was chaired by Mr Simon Tay, Chairman, Singapore Institute of International Affairs. Two papers were presented - the first was Dr Evelyn Goh's paper titled "Singapore in the International System" which was read by Dr Yeo Lay Hwee as Dr Goh was unwell and absent from the conference. The second paper was by Dr Denis Hew and Dr Rahul Sen on "Regional Economic Integration and Implications for Singapore". Much of the discussion that followed centred on how regional dynamics and the challenges facing ASEAN, particularly in the area of economic integration, would impact Singapore.

Singapore in the International System

2. Dr Evelyn Goh's paper, read by Dr Yeo Lay Hwee first examined four factors that had shaped Singapore's geopolitical interactions in the world. She argued that Singapore's national interest was often defined by the economic imperative. This was because Singapore derived influence from her economic success and hence, continued economic development and wealth were vital for stability within Singapore. Acutely aware of her own constraints as a small country, Singapore had pursued an activist foreign policy using regional institutions such as ASEAN, ASEAN Regional Forum (ARF), APEC and "ASEAN +" institutions to ensure her strategic relevance and to capture great power interest and involvement in the region. While Singapore concentrated on great power realpolitik and the calculation of national interest based on power, her foreign policy elites had, on the other hand, also believed in using institutions to socialise and shape the behaviour of big powers. Last but not least, Singapore preferred a regional security architecture underpinned by United States' (US) preponderance of power.

3. If Singapore had this preference for US preponderance, one of the key forces of change in the next 25 years that would have a big impact on Singapore's foreign policy and its place in the international system, would be how and whether US preponderance in the international system might change. Singapore would also have to watch out for adverse reactions to US hegemony and be aware that maintaining a very close strategic relationship with US could

be costly. This would in turn depend partly on the other key forces of change - the role of China and how Sino-American relations develop. China's relations with other major powers in the region particularly Japan and India, were also important and Singapore would have to take care not to be seen as being part of any coalition against China.

4. Within the sub-region of Southeast Asia, the integrity and stability of key states such as Indonesia, terrorism and political violence, and the growing divide between ASEAN would be the main risk factors for Singapore.

Regional Economic Integration and Implications for Singapore

5. The joint paper by Denis Hew and Rahul Sen examined the progress of the ASEAN economic integration project and highlighted some of the challenges in meeting the target of an ASEAN Economic Community (AEC) by 2015. A slew of economic measures were initiated to expedite the economic integration process such as the fast-tracking of 11 priority areas, accelerated implementation of the mutual recognition arrangements and harmonisation of standards. However, more was needed in eliminating non-tariff barriers and for creating a more effective dispute settlement mechanism. Without a stronger institutional structure, greater resources and capacity for effective implementation and compliance, the integration project would falter. Indeed, despite a promising start, the AEC project appeared to be losing some of its momentum due to poor coordination and lack of financial resources. Some had argued that the consensual "ASEAN way" of making decisions was still very entrenched which made it difficult to expedite the integration process.

6. While working on AEC, ASEAN and its member states had also been building economic linkages with their respective trading partners in the wider East Asian region through a series of bilateral and regional free trade agreements (FTAs).

7. The authors concluded their paper by discussing the benefits that Singapore would have accrued from ASEAN's integration. Singapore had played and should continue to play an important role in facilitating ASEAN's efforts to integrate economically as it was in Singapore's best interest to ensure that the AEC project succeeded.

Discussion

Progress of Regional Economic Integration

8. The first two questions by Mr Tay challenged the two paper presenters to look beyond 2030. On the question of economic integration, from the external links that ASEAN had established with its East Asian partners and the relatively

high intra-East Asian trade of 55%, would it be possible that ASEAN upon achieving the AEC might then dissolve that (AEC) into a greater framework of an East Asian Economic community or an East Asian Free Trade Area? On Singapore's ability to retain its strategic relevance in the international system, would Singapore continue to be of relevance to rising powers such as China and India and the US at the same time? By 2030, and in fact increasingly of now, both India and China were already confident enough to deal directly with the best in the West. What role could Singapore play then? Also, if intra-Asian integration was really the logical thing to pursue and the 'game' in town, was there a need for Singapore to maintain her special relationship with the US?

9. The response to the first question by Dr Hew was that if ASEAN could achieve an "FTA (Free Trade Agreement) plus" integration by 2015, the process would probably not stop there. ASEAN could then build on its various "ASEAN plus one" FTAs to achieve a comprehensive East Asian FTA by 2020, and ultimately achieve an East Asian Economic Community by 2030. In principle, achieving a common market for the entire East Asian region with ASEAN at its core was not inconceivable. After all, ASEAN was only at a very early stage of integration and the European Union took almost 50 years to complete their Single Market.

10. On the question about Singapore's strategic relevance, Dr Yeo, as a discussant noted that much would depend on the broader global trend towards governance and institution building. If the bigger powers and key players were to walk away from the multilateral framework and move towards unilateralism and bilateralism, then Singapore's strategic relevance to the major powers would be much diminished.

11. Noting that intra-ASEAN trade had not increased a lot despite the lowering of tariffs, one participant wondered how much of a factor non-tariff barriers (NTBs) was in hindering the process of ASEAN integration. Did removing NTBs make a significant difference to the economic integration process in the European Community? If so, more efforts should then be focused on bringing down the various NTBs. Dr Hew concurred that bringing down NTBs would certainly help improve intra-ASEAN trade and would also boost investments. However, because of various political sensitivities, NTBs (both behind the borders and at the border) were affecting even the fast track priority areas that had been identified in the AEC blueprint. Several ASEAN countries were resisting bringing down some of these NTBs. The problem was not only the existence of the NTBs but that ASEAN did not have the institutional structure and a system to ensure compliance by member countries of their economic commitments.

12. Another participant expressed concern that the business community had over governance issues in ASEAN. As highlighted in the morning plenary session with Mr Peter Schwartz, good governance would increasingly be a pre-

requisite for successful development. He asked for an assessment of the state of governance in some of the ASEAN member states and the factors that might account for the either improvement or deterioration of governance in some of these countries. Dr Hew concurred that the governance factor had become a key concern in the region particularly after 1997 – both public and corporate governance. Before 1997, investors seemed to close an eye on the issues of good governance. The post-1997 environment was now much more competitive and had opened the ASEAN economies to greater scrutiny. The days of easy money were now gone. Increasingly, investors were more discerning and made investment decisions based on a country's ability to improve public and corporate governance and undertake structural reforms. This was also an area in which he believed Singapore could play a positive role in setting a good example for other countries in implementing the necessary reforms to improve governance.

The United States and 'Foreign Policy' of Global Cities

13. On Dr Goh's paper, another participant questioned the assumption that US policy in the region would always be positive and benign and that the status quo could be maintained. Every country looked at its own national interest and there was no guarantee that US would not change its course of foreign policy in the region. He was also concerned that the paper was too narrowly focused on state-to-state relationships, neglecting the much richer and much variegated discussions that surfaced in the morning on issues surrounding Singapore's hinterland, identity or the role of Singaporeans living overseas. However, while he did not generally believe any country should punch above its weight but in the case of Singapore, being such a small country, it had to do so in order to be noticed and to thrive. It was a question of survival for Singapore. On this, Dr Yeo also added that Singapore, together with Norway for instance, were playing a role in shaping the rules and regulations governing Sovereign Wealth Funds (SWFs) and making an impact on the international system in investment regimes.

14. There was a brief discussion on how to conceive of the role of global cities and their "foreign policies". Singapore as a nation-state needed to punch above its weight in foreign policy to ensure its relevance, but at the same time, she aimed to be a global city. Did global cities like London and Zurich need to pursue their own "foreign policies"? This participant referred to the example of London and its C40 initiative on global climate change, elaborated on how the Mayor of London had been working with mayors of other leading cities to move ahead with practical initiatives that affected their citizens and this was ultimately what counted in the international system.

Regional Free Trade Agreements and Their Impact

15. Another participant highlighted the earlier misperception that ASEAN would lose out because of China's rise and noted that foreign direct investments (FDI) into China seemed to have reached a saturation point. China was now fast becoming a source of investment. There, he wanted to know how ASEAN should position itself to attract investments from China and elsewhere. He also

wondered about the impact of the proliferation of various bilateral FTAs in the region. On the first question, Dr Hew said it would boil down to the central issue of whether ASEAN could get its act together and succeed in creating an integrated market as envisaged in the AEC. An integrated market of over 500 million consumers with a combined gross domestic product (GDP) of US\$1 trillion would be attractive to investors. The ASEAN market was still fragmented. As for the proliferation of not only bilateral but also various regional FTAs, there was clearly a concern that this had resulted in a “spaghetti bowl effect” of overlapping trading arrangements which would frustrate businessmen and raise the cost of doing business in the region.

16. A participant who headed a business chamber did not quite agree that all these multiple FTAs added to the cost of business. While these different FTAs seemed to be complicated to work through at some level, fundamentally, because all these FTAs were now posted online, searching for the best deal for one’s product was becoming more of a clerical operation than a massively complex deal. It was a more costly operation for the governments because negotiating all these FTAs required tremendous resources. Once a FTA was concluded, the cost impact on companies was zero if they decided not to follow them. Following them was more an issue of competitiveness. Of greater concern to this participant was: what would happen if ASEAN did not succeed in integrating? What would be the cost for ASEAN and for Singapore? In his mind the consequences would be enormous and he wondered how much time ASEAN really had left to achieve its goal of integration? Dr Hew hinted that it was precisely the concerns over ASEAN ability to truly integrate that Singapore had adopted a hedging strategy by concluding as many bilateral FTAs as possible with its major trading partners. If ASEAN did not succeed in integrating, it would remain a fragmented market in which ASEAN countries would be competing against each other instead of trying to complement each other to maximise industrial economies of scale. The credibility of ASEAN would be seriously undermined. A fragmented ASEAN could also become irrelevant in the wider regional and global economic landscape.

17. Mr Tay wondered if Singapore’s pursuit of bilateral FTAs was indeed a sort of hedging strategy. What if Singapore really wanted to be the hub of ASEAN and at the same time, an Asian nexus and a global city? In short, could Singapore have it all? To this, Dr Hew answered that if Singapore could indeed achieve all these it would be the ideal. What he was concerned about was that there were those who felt that Singapore should only do the bare minimum to support ASEAN integration and focus its efforts on consolidating economic linkages with India and China. However, the reality was that geography still mattered a great deal and that Singapore was situated in Southeast Asia. In the worst case scenario, if ASEAN failed to integrate and the economies of neighbouring states suffered leading to civil unrest, Singapore would ultimately be affected as no one would invest in a politically unstable region. A prosperous ASEAN not only served Singapore’s best interests strategically but it would also

ensure that there was peace and stability in the region. Therefore, it was in Singapore's fundamental interest that ASEAN economic integration succeeded.

Regional Integration a lá EU?

18. To an earlier point made by the presenter that the EU model was not seen as attractive to ASEAN, one participant asked if this was a purely Singapore-centric point of view or if the view was shared across ASEAN. To this, Dr Hew clarified it was not just Singapore but across ASEAN, where the idea of giving up hard-fought sovereignty to a supranational institution was too politically sensitive. The truth of the matter was that in the EU model, the goals were clear and the Europeans then focused their efforts to put in place the necessary institutional structures and rules needed to achieve these goals. However, in the case of ASEAN, while the language of the various documents and declarations seemed similar to those that underpinned the EU, the member states were not entirely clear how to achieve the end goal of closer integration. In addition, many of them were not prepared to take the necessary pain and make the short term sacrifices for long term gains.

19. Continuing on thread of discussion on the regional divide, the participant also asked if Dr Goh's paper suggested ways in which this could be managed. Dr Yeo pointed out that Dr Goh had suggested that Singapore work with other original ASEAN members to provide economic, technical and educational assistance to the CLMV (Cambodia, Laos, Myanmar, Vietnam) countries to close the development gap. The fundamental idea was that through these assistance programmes, the CLMV countries could build up their capacity to partake in the economic growth. Also responding to the question on the EU model, she added that more resources needed to be channelled into an EU-equivalent structural or cohesion fund to help in the development of the poorer member states and also create the sense of solidarity needed for a genuine community to be built. Much was needed to demonstrate that integration could bring in more benefits than cost in the long run.

20. Mr Tay opined that from the discussion so far, there seemed to be doubts on whether ASEAN integration would succeed because of a lack of political will and resources. If indeed there were such doubts, the question then, was whether Singapore should actively pursue a different strategy of linking up with China, India and other trading partners further afield such as the EU and the US and not focus on the "near abroad". To this, Dr Hew added that 2015 was only seven years away and looking at the blueprint for the AEC, he was concerned over the ability and commitment of member states to undertake all the daunting tasks to achieve integration. The biggest concern was more fundamental – how to get the member states to comply without an effective Dispute Settlement Mechanism (DSM).

21. Another participant cautioned against being too overly-pessimistic about the progress of ASEAN integration. He pointed out that a distinction had to be

made between the specific ASEAN “official” process and what was the reality on the ground. At the ground level, integration was happening driven in large part by businesses. If and when the two processes could come together, the effect would be very powerful. He gave an example of how the logistics industry actually got together and lobbied for the industry to be included in the priority sector for integration. ASEAN responded positively and put logistics in the agenda and some progress had been made. In the automotive industry, Japanese car makers were diversifying their supply chain to Philippines and Indonesia and doing the assembly in Thailand and in the process creating an ASEAN wide production chain that was competitive in the global scale.

22. The latest investment figures showed ASEAN attracting some US\$58 billion dollars of investment against the US\$64 billion for China. This was some good news that should not be overlooked. What was important was to look into how the business community could better organise themselves to capitalise on the ASEAN process and ensure closer cooperation between the business community and the ASEAN policy makers. To this, Dr Hew said he concurred on the latter point and noted the greater success in APEC because of the stronger role played by the APEC Business Advisory Council (ABAC). While APEC was also going through some soul searching, one area that it had done well in was to develop a close nexus between the business community and the policy makers. This was indeed something that ASEAN could emulate.

Separating the Economic and the Political?

23. Another participant, however, felt that there were more differences in ASEAN than similarities and that the track record of ASEAN had not been very good. He wondered if Singapore really needed to worry too much about the lack of economic integration within ASEAN. Economically, Singapore had moved ahead of its neighbours and established truly global links. For safety and security, Singapore would still need ASEAN. Hence, would it be feasible to shift the focus from economics to the geopolitics and, while Singapore stayed in ASEAN for security reasons, was it a necessity to do business in ASEAN? Dr Hew pointed that this was perhaps already happening since the ASEAN Community actually comprised three separate pillars – the ASEAN Economic pillar, the ASEAN Security Community and the ASEAN Socio-cultural Community, driven by the different ministries. Furthermore, one should note that even within the ASEAN Economic Community, it was stated that ASEAN should integrate with the global economy through increasing its economic linkages with other regions. Dr Yeo, however, cautioned that it may not be easy to de-link politics and economics. If the failure of ASEAN economic integration meant a shrinking economic pie for the various ASEAN countries, how would this in turn, impact domestic politics? What repercussions would it have on regional politics?

24. Besides Singapore, another participant asked which other countries in ASEAN was pro-integration. Dr Hew thought that the member states with more open economies such as Malaysia and Thailand which stood to gain more from

integration were supportive of the integration process. Whether the benefits of integration could be made clearer so that member states could be more enthusiastic about the integration process, Dr Hew expressed concern. Through his interactions with officials from CLMV countries, he did not feel confident that the purpose and benefits of the AEC were made entirely clear to them.

Conclusion

25. On that note, Mr Tay said that there seemed to be one overarching question or theme that seemed to underpin the bulk of the questions and comments that surfaced. While it was important to Singapore that ASEAN could integrate and succeed, there was uncertainty over successful integration. This raised the question of whether Singapore would be better off if she did not place so much effort and resources to the ASEAN project and looked beyond to develop stronger ties the wider Asia and the global economy.

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PARALLEL SESSION PRAGMATICS OF BUSINESS AND THE ECONOMY

“Skills Shortages and the Wage Gap in Singapore” Hui Weng Tat and Ruby Toh

Introduction

1. Mr Manu Bhaskaran, Partner and Member of the Board, Centennial Group Inc. chaired this parallel session. Dr Winston Koh was unable to present his paper at the conference and instead, Mr Bhaskaran offered the opportunity to participants to share their reflections on Dr Teh Kok Peng’s presentation on ‘The Singapore Economy 2030’ delivered earlier in the day in Plenary Session II. This was followed by the presentation of the joint paper by Prof Hui Weng Tat and Dr Ruby Toh and an open discussion on the points that were raised.

Discussion

The Role of the Multinational Corporations and Manufacturing

2. Mr. Manu Bhaskaran kicked off the reflections on Dr Teh’s paper by focusing on questions of how Singapore’s ambition to be a global city would impact projections about the economy in 2030. For instance, he noted that global cities tended to have multiple airports while Singapore did not have a secondary airport. He suggested that Singapore could use the surrounding hinterland to provide this secondary airport. He felt that there was no reason why Singapore could not be a global city for in the past, Singapore was the centre of trade flows with China and India. Singapore could still be a thriving cosmopolitan city without rivalling New York City and London.

3. Mr. Bhaskaran also noted that Singapore’s economic model had thus far been more top-down where economic planning by the state played a big role. It was also an economy that was very much centred on the role of multinational corporations (MNCs). It was also export-oriented and was conservative where there was a great deal of emphasis on savings. Dr Teh said that the economic model of top-down management would evolve. In the past, there was a requirement for top-down management as there were no established institutions outside of the government to do things. However, this would change as we progressed. In addition, Dr Teh noted that the economy would be less MNC-centred as economic activities became increasingly diverse. Singapore would then find her niche and develop the proper policy platforms to develop these further.

4. One participant originally from the United Kingdom (UK), noted how the government there had previously systematically destroyed the manufacturing

sector as the country developed. He questioned what would be the role of manufacturing in Singapore with increased development and would manufacturing be boon or a bane? Dr Teh said he thought that it would be good if Singapore could retain her manufacturing base. Although Singapore was land-scarce, she could still maintain her manufacturing sector as it was the pioneer of industrial growth and economic development. Therefore, the MNCs that had set up here had formed a certain stickiness to the place. Moreover, there was the basic infrastructure and the provision of services that grew around these activities and they were still valuable.

Skill Shortages and the Wage Gap in Singapore

5. Prof Hui and Dr Ruby Toh revealed that the ratio of skilled workers to low skilled workers had been steadily increasing since the '70s with the current ratio standing at 0.9. The proportion of skilled labour was projected to overtake that of low skilled labour. However, there was still a skills shortage as the proportion of foreign labour had been on a rise. In addition, the average growth of skills vacancies exceeded skills supply and that of low skilled vacancies.

6. Prof Hui and Dr Toh added that there was a widening wage gap in Singapore for the real wages of the top 20% of the workforce - 8.93 larger than that of the bottom 20% in 2006 compared to 7.49 in 1996. The relative wage of the 9th decile to 2nd decile in Singapore increased from 4.9 in 1996 to 5.7 in 2006. Although there was a growing wage disparity in all OECD countries, the gap in Singapore was larger.

7. Prof Hui and Dr Toh postulated that skills shortage was expected to continue into the future suggesting the continued importance of foreign labour supply for bridging the gap. In addition, the wage gap would still be prevalent and could increase in future due to a combination of depressed wages of low skilled workers since there was a large supply globally of these workers and the outsourcing of jobs on contractual basis which also kept wages low.

Discussion

A Narrowing Wage Gap?

8. As noted by Dr Teh earlier, in the next 25 years, there would be a scarcity of low skilled foreign labour as the source countries of such labour would see development and therefore reduce the likelihood of people leaving for work overseas. He added that there were lags in investment in education so some effects of investment would not be captured at the moment. He also questioned the feasibility of setting a target that the Singapore's economy should grow at 6% each year as developed countries tended to have lower growth of 3%. Prof Hui

added that as long as current policies did not change and wages did not increase, the wage gap would still exist.

9. One participant questioned whether the cost of local low skilled labour would be cheaper than foreign low skilled labour after factoring in the transaction costs involved in hiring the latter. Prof Hui suggested that if the market was allowed to work, employers would choose the lower of the two. Therefore, by paying foreign low skilled labour low wages, it would depress the wages of domestic low skilled labour. As such, in order for domestic wages to rise, foreign low skilled labour had to be paid higher wages.

10. Another participant queried Dr Teh on the effects of exchange rate should Singapore adopt more investments as suggested earlier. Dr Teh clarified that in his presentation in the plenary session; he recommended that Singapore should have more direct investments instead of portfolio investments. The exchange rate would not be affected as it was a shift in the kind of investment and capital outflows could even remain fairly constant. As the portfolio investment yielded a rate of return of 9.5% for Singapore, this paled in comparison to that of MNCs whose rate of return of direct investment in Singapore hovered in the mid-teens to 20%. However, he noted that portfolio investments were relatively hassle-free compared to direct investments where a more hands-on approach was needed.

11. A participant asked the panel why it was that the wage gap in Singapore was larger than that of other countries. Prof Hui replied that this could be attributed to the depression of wages in the low skilled sector due to the prevalence of low skilled foreign labour whilst the skilled wages were not depressed. He suggested that the Government should change its policies to allow low skilled foreign employees to change their employer when in Singapore as this would result in competition between employers; thereby translating to higher wages and productivity in the low skilled sector. He added that the Government should not intervene in restricting the mobility of low skilled foreign labour in the local market but allow the market to work on its own.

12. Another participant noted that given the current education demographics, low skilled local labour would fall among the local population in future whilst as noted by Dr Teh the foreign low skilled labour supply would drop too. As such, was there a need to increase the wages of the low skilled at the moment? Dr Toh replied that projected estimates indicated that Singapore would have more than 1 million low skilled local workers for the next 30 years. Hence there was still a need to address the issue of depressed wages. Prof Hui added that whatever wages were offered, there would still be workers willing to undertake the job. He noted that by paying lower wages in the low skilled sector in Singapore, workers employed from abroad would be of lower productivity thus requiring employers to employ more workers. He added that by paying higher wages, workers that were employed would be more productive which would

mean employers could then cut down on the number of workers employed and therefore their overall wage bill.

13. Another participant asked: if the wages of low skilled workers were to increase, would this not mean that Singapore would lose its competitiveness? Prof Hui replied that by paying higher wages, not only would the workers be more productive but they would be more loyal and more unlikely to shirk in the course of their work.

Conclusion

14. The question of whether low skilled workers in Singapore would continue to be low wage workers was a complex one with no clear consensus on whether this would exacerbate or tame income disparities in Singapore in 2030. In the immediate term, perhaps more was needed to persuade local employers to choose local and even invest in 'skilling' the unskilled. Admittedly however, local sources would be unable to meet the demand for skilled labour which would clearly mean that a policy of attracting foreign labour that that level would be far more justified, than at the lower levels.

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PARALLEL SESSION PEOPLE AND SOCIAL STRUCTURE

“The Family and Changing Social Structures”

Gavin Jones

“The Economics and Politics of Income Inequality and Wage Stagnation in Singapore”

Yeoh Lam Keong

Introduction

1. The chairperson of the session, sociologist Associate Professor Tan Ern Ser, from the Department of Sociology, National University of Singapore began the session by stating that the purpose of the session was to discuss the social and political health of Singapore going forward to 2030. The two speakers for the session were Professor Gavin Jones, leader of the research cluster ‘Changing Family in Asia’ at the Asia Research Institute (ARI), and Mr Yeoh Lam Keong, Vice-President of the Economic Society of Singapore.

The Family and Changing Social Structures

2. Prof Jones found Singapore a fascinating place to study family change. Embodying both Asian traditions and values as well as ‘Western’ ways of life, would Singapore family traditions be durable in the face of dramatic social-economic changes from rapid economic development? Currently, Singapore witnessed low fertility and marriage rates. After marriage, the couple would usually choose to have only one or two children due to reasons like high financial costs, pressures to bring up a ‘quality’ child and problems of maintaining a work-life balance. As a result, Singapore was also dependent on immigration, without which, the low fertility rates would be unable to reproduce the population.

3. Given these conditions, there were two main implications for the state with regard to the practices of the Family in Singapore. First, the elderly remained part of the family due to policies of child-rearing and tradition. Second, unlike most ‘Western’ nations or Asian ones like Japan, Singaporean families were dependent on domestic help from foreign migrant workers. This was especially so among the middle and upper-middle classes. As the ‘second shift’ of domestic work and childcare was now the responsibility of the ‘maid’, women were able to enter or return to the workforce to contribute greatly to the economy. There were some key implications of this pervasive ‘maid’ culture. First, low wages for domestic work had created a decline in status of both domestic work and national identities of countries exporting domestic labour. Secondly, there was also a concern that domestic helpers ‘disrupted’ the enculturation of

children. Lastly, the inclusion of the domestic helper had been known to cause tension among family members.

4. Prof Jones also identified some key trends that would affect Singapore families in year 2030. First, a globalising labour force and high levels of mobility could lead to a new trend of trans-boundary relationships within families, creating strains on family life in Singapore. Second, the rise of the 'Creative Class' privileged by the Singapore political economy could lead to a greater acceptance of alternative lifestyles like homosexuality and this could threaten the traditional notion of the Family. Third, cohabitation, procreation outside the marriage institution and greater levels of inter-marriage could emerge. Fourth, birth rates would continue to fall. Last, the elderly in 25 years' time would be highly-educated with a different work experience. They would want to and have to work longer.

5. Concluding his presentation, Prof. Jones noted that maintaining high levels of economic growth seemed incompatible with the desire to increase birth rates. Workplaces remained unfriendly to family and the time spent at work was too long. The trend of transnational split of families would only add to the fall in birth rates. Family policies needed more 'teeth'. Most importantly, Prof Jones encouraged a mindset change, where the emphasis on economic growth was relaxed at both the level of state discourse and the psyche of the populace to favour stronger family and community life.

The Economics and Politics of Income Inequality and Wage Stagnation in Singapore

6. Presenting research from an Economic Society of Singapore-led inter-agency study of income-inequality and wage stagnation in Singapore and globally. Mr Yeoh found that income disparities had increased globally over the past 20 years and had accelerated over the past 10 years. Median wages had fallen or stayed stagnant over sustained periods. Currently, America was witnessing the highest income disparities since the Great Gatsby (i.e. 1920s-1930s) era. Over the 2000-2006 period, only individuals who held masters or doctoral degrees enjoyed an increase in real income while even other graduates were experiencing stagnating wages. A new proletarian underclass had emerged over the decades. Mr Yeoh argued that this was not merely a class issue but a political one too. This could precipitate a trend towards trade protectionism and populist, anti-globalisation politics.

7. In Singapore, where such trends could be particularly harmful, how should the state look at its obligations of implementing an adequate social safety net? And what should the public expect of the Singapore Government?

8. Mr Yeoh noted that first, there had been a “great doubling” of the labour force globally and in the next 30 years, absolute poverty would have been largely eliminated in developing economies as a result. Nonetheless, in a developed world, that would likely come at the expense of the poor and less skilled. They would experience depressed wages as a result of competition for jobs, trade and investment.

9. Secondly, due to the rapid adoption of technological, information technology (IT) based process innovation, around 10-20% of service sector job could now potentially be outsourced to cheaper developing country locations. Also, routine work like data entry, data processing and call service jobs could be done directly by computers and software.

10. Singapore was particularly vulnerable to such trends as it had a much more open economy due to trade and foreign direct investment, an excellent IT infrastructure and a relatively flexible, open labour market. Here, the impact of new global competition had led to an almost \$200 decrease of wages for the low-waged workers over the last decade. Until 2006, the bottom 30% income percentile of Singaporean households experienced a stagnation or decline of wages since the Asian Financial Crisis. Even the middle-middle and upper-middle class—the 30-60% income percentile and 60-80% income percentile respectively experienced a real income stagnation over the past 5 years. Mr Yeoh argued that while there could be cyclical improvements in household incomes (for example, in 2006-2007), this process of wage stagnation was not going to disappear in the longer run. For low-wage workers who made up the bottom 10% of working age households in Singapore, living with less than \$650 per month for a family of four must be a great challenge.

11. Mr Yeoh recommended an integrated array of policies to reform our social safety net system in order to help the 10-30% of lower-income households. First, the social safety net needed to be expanded to target welfare and workfare more concertedly. Instead of the current system of 4 pillars of support (i.e. CPF, Medisave, WorkFare and HDB), he argued that a programme of at least 7 pillars (Central Provident Fund, Medisave, subsidies for Housing and Development Board flats, Workfare, Targeted Welfare, Social Risk Pooling and Continuing Education and Training (CET) of support would be necessary.

12. As preserving self reliance and work ethic was very important, Mr Yeoh argued that support instruments that did not reduce work incentive were key. These included workfare, conditional welfare, CET, and social risk pooling schemes like annuities, reverse mortgages. Also, unbundled unemployment insurance (e.g. insuring mortgages or children’s education against unemployment) could be considered. Elements of such systems could be found in successful welfare reforms like Flexicurity in Denmark and Workfare in the US.

13. Another important approach could be providing welfare in terms of monitoring and targeting support of minimum household expenditure. Therefore, a thorough study was needed to understand the absolute minimum household expenditure people in various income groups needed in various key expenditure categories. He also stressed the importance of including investments towards human capital, i.e. education and retraining in that calculation.

14. Reforming the social safety net could cost a significant amount but Mr Yeoh argued that Singapore could afford to find a better solution in dealing with wage stagnation from globalisation while maintaining long run fiscal prudence for three reasons. First, it did not have to support massive, unsustainable legacy welfare systems that subsidised middle class income supports, pension or benefits as some parts of the West had done. Second, its structural fiscal position was relatively much stronger than virtually all OECD countries. Third, if such a safety net remained focused on the poor and encouraged them to work and upgrade their skills, the costs were likely to be relatively low. An effective social safety net that did not undermine work incentives could then potentially be a source of long-term competitive advantage as it could enable Singapore to implement pro-globalisation economic reforms faster and more durably than its competitors.

15. In conclusion, Mr Yeoh also urged the government to address this issue for humanitarian reasons as well, because many of the lowest 10% households lived in conditions of hardship and desperation. This was likely to continue because of global forces. The primary function of a social safety net was meant to prevent absolute hardship by ensuring the maintenance of basic needs and helping the poor to lift themselves out of their poverty; not to reduce income disparities. Singapore was well placed to do this in a way that was consistent with budgetary prudence without compromising work and human capital investment incentives.

Discussion

The Corporations

16. One participant observed that the trend of increasing income inequality between low-end and high-end labour was also evident in many corporations. In fact, only those of the 90% income percentile and beyond saw their wages increasing at higher rates. He asked what corporations could do. Mr Yeoh replied that corporations were aware of the general trends mentioned. There was a need to address wage stagnation as the reaction to globalisation was for developed countries like the US to be increasingly protectionist in its economic policies. This was to appease the increasing number of disenfranchised groups. That could be the start of the demise of globalisation. One way to address the issue was to transfer the benefits of higher growth rates as a result of globalisation to the people who did not reap the gains of global capitalism.

17. Mr Yeoh commented that in the US debate, Professors Ken Scheve (Professor of Political Science, Yale) and Matt Slaughter (Professor of Economics, Tufts) recommended a radical transfer of resources using the tax system to redistribute the benefits of globalisation. It was effectively a “New Deal” to cope with the adverse labour market trends of globalisation. Otherwise, in a democracy, policies not in favour of globalisation could result. However, he agreed that all levels of society needed to understand this, not just the Government. Mr Yeoh noted that in Scandinavian and European countries, social activists and enlightened managements had campaigned for corporations to implement socially responsible programmes to give back some of their growing profits to community members in need. The scope for philanthropy from the corporate sector and the wealthy was potentially important and relatively underdeveloped in Singapore as compared to the United States or even Hong Kong. This was important as it was the corporate sector and the very rich who benefited the most from globalisation. Assoc Prof Tan commented that it would be what Bill Gates called ‘creative globalisation’.

The Role of Domestic Helpers

18. Regarding the ‘maid’ culture in Singapore, one participant asked Prof. Jones if there were any statistics available on domestic workers whose service had kept the elderly off the waiting list for old-aged homes. She then contested the comment he had made earlier about foreign domestic helpers ‘disrupting’ the socialisation of children. In the past, the elites were brought up by *‘ma jies’* who were equally culturally removed. Yet, there were no complaints made then, so why the negativity towards foreign domestic helpers? Directing this comment to Mr Yeoh, the participant also observed that many low-skilled service occupations like being cashiers at the supermarkets were offered to foreign workers instead of local women who could accomplish such shift work together with the demands of the home.

19. Prof Jones replied that he had not seen statistics on how many domestic workers were employed to help with the elderly at home, however one could imagine that this sort of demand for domestic workers could only increase. He argued that the negativity towards foreign domestic helpers seemed to be the sentiment of certain groups but like the participant, he too, did not agree with the cultural disagreements of ‘maids’. Mr Yeoh commented the same trends were witnessed in the US and Malaysia, where the influx of foreign labour created wage competition that consequently led to disenfranchised groups lobbying for more protectionist economic policies. Mr Yeoh commented that in Singapore, immigration restrictions would lead to slower growth so that there was a trade-off between growth and higher wages. Skilled labour immigration was good and would create higher value added industries. However, as opposed to employing cheap foreign labour for low-skilled jobs in areas which were relatively unaffected by international competition, Mr Yeoh argued that providing incentives to firms to rely on restructuring operations and higher productivity growth could lead to

better quality jobs. This could be seen in the construction sector in the US and Australia.

20. Relating foreign domestic helpers with low wages, Mr Yeoh wondered why was it that with the large supply of foreign domestic workers available and at low cost, more local women were still not getting married and having more children? Prof Jones attributed this to various reasons. First, most Singapore women were relatively higher-educated and hypergamy (i.e. the desire to marry above your social status) made it hard for them to find a 'suitable' spouse. If they did get married, they were career-oriented, lacked time, had concerns of raising a 'quality' child and were conscious of the patriarchal attitudes of husbands not helping in domestic work. More importantly, Prof Jones also observed that in most countries where there were decreasing fertility rates, good social welfare systems were also missing. In contrast, in Scandinavian countries that had good social welfare systems, fertility rates were climbing back up. Despite the claim that the family was the basic building block of society, Singapore did not match up with such provision.

The Elderly and Poor

21. Another participant asked if there was a need to introduce social pensions for the seniors. Mr Yeoh commented that any discourse on social pensions in Singapore often fell into the same anti-welfare argument of it potentially being a drag to economic growth. He argued for using the World Bank framework of ensuring pension adequacy for the elderly with a more diversified portfolio of income sources. This required a multiple agency effort to implement a system constituting a small state pension, a private pension, part time work and adequate opportunities to monetise housing estates. To enable monetising of property, HDB could also build smaller houses and flats for the elderly located within the community rather than old folks' homes.

22. The same participant wondered how the government would react to such a recommendation. Mr Yeoh argued that there was a need to find out what the needy really required for a decent living. The Government needed to take the first step in that direction but they also needed to adopt methods like means-testing to exclude people who were not really in need. This would require an act of political courage to focus support largely on the poor rather than letting it spill over into the middle classes. People required an absolute standard of living and certain basket of material goods and services to survive at a decent minimum level. There were objective ways of determining these standards for necessary consumption like food, shelter, transport, medical services, education and training and IT services. Similarly, it was necessary to find out who needed state pension supplements and who did not. This was to avoid providing a blanket entitlement like the defined benefit pension schemes in certain Western welfare systems that were now a tremendous fiscal burden.

23. Another participant agreed that the elderly in Singapore was one group that required financial assistance from the state. She added that families in the 'sandwich generation' were finding it hard to cope financially with having to support both their parents and children. As the elderly were living longer, the number of four-generation families was going to increase. With the costs of living going up, how were these families going to cope? Being a counsellor, this participant said she had already seen the breakdown of families due to this.

The Excluded

24. One other participant commented that much of the discourse on pension was about the insurable. How about those who were uninsurable for physical and/or mental reasons? All they could depend on was charity. This group of people had very little recognition in a society where welfare was dependent on the work ethic. The economically invalid were often and easily labelled as 'lazy'. Mr Yeoh thought that this was an excellent point. Therefore, a rethinking of the social safety net was necessary. Singapore needed to learn, both from the past mistakes of traditional welfare states like Europe, as well as the more recent successful welfare reforms in other countries like the US, Scandinavia or Brazil. We needed to gather perspectives on the new forms of support that did not discourage work and self-reliance instead of labelling all welfare support as leading down a slippery slope to a dependent welfare state. Workfare was just one pillar of the social welfare system. He reiterated the necessity of providing targeted welfare for people who were unable to work while maintaining the incentive gradient between welfare and workfare so that the system would not become a dis-incentive for the employed. This required policy design and coordination like in Wisconsin in the US and not like in Hong Kong where over-generous welfare negated workfare initiatives. Prof Jones agreed. While there were always those who would abuse any system, it was still more important to ensure that systematic, predictable help for the poor and the needy was available.

Conclusion

25. The Family which has been a source of social support faces known threats and efforts could either be taken to mitigate against these, or re-orientate this support toward provision from the community or the state. There was scope for comparative studies of social support systems to explore how we could better provide for the elderly, the poor and the excluded. What were the progressive schemes that were effective? What were the ways to establish the necessary level of provision? There was also a need to calibrate systems so that only the needy received the help. Political courage was needed to resist including the middle classes or providing blanket entitlements which would be a tremendous fiscal burden to the state and tax payers.

PARALLEL SESSION

POLITICS

“Imagining Singapore Politics in 2030”
Zuraidah Ibrahim and Peh Shing Huei

“ICT Myths and Singapore Realities”
Arun Mahizhnan and Tan Tarn How

Introduction

1. This session was chaired by Prof Chua Beng Huat and kicked off with a presentation by Mr Peh Shing Huei of his joint paper with Ms Zuraidah Ibrahim on the possible political developments in Singapore by 2030. This was followed by a presentation by Mr Arun Mahizhnan of his joint paper with Mr Tan Tarn How on the potential impact of developments in Information and Communications Technology (ICT) in three different areas: Work, Civil Society and Politics.

Imagining Singapore Politics in 2030

2. Mr Peh began by saying he thought that the People’s Action Party’s (PAP) dominant position was likely to persist till 2030, but that he would discuss possible developments in three areas of the political system - the nature of political leadership, of political contestation and the political values of citizens.

3. In the area of political leadership, an even more collegial approach was expected as the transformation had already begun with the transition from the first prime minister, Mr Lee Kuan Yew to the second, Mr Goh Chok Tong. When Mr Lee Kuan Yew had left the scene by 2030, the ‘lack’ of top-down endorsement from a founding father would mean that leaders would have to rely much more on the approval or authority from the ground. The party would then be more responsive to the grassroots. The leadership of the party would still comprise a mix of new faces and elders of the party – people we would recognise from today. The fourth prime minister would be very familiar to Singaporeans as he or she would have gone through the same learning curve as the predecessors.

4. On political contestation, Mr Peh noted how there seemed to be a gap between the avowed desire for greater opposition representation in Parliament of Singaporeans (in survey data), and the actual reality that there has never been more than four opposition members in Parliament at one time thus far. There were four factors that would determine how this would play out. The first, how the PAP itself evolved; second, how the opposition evolved; third, whether elite cohesion was maintained; and fourth, how the electorate’s aspirations changed. If the opposition were to gain say ten seats in Parliament, the PAP would be

faced with a serious choice between two possible responses – if reformers prevailed in the party, they could resist tweaking the system and accept the transition to a 1.5 party system. If the conservatives prevailed then there would be the temptation to raise the barriers of entry to the opposition. It was more likely however that the PAP would command around mid-60% of the popular vote for a long time to come. This could be attributed to three factors: Though the quality of opposition candidates would improve, they would still be unable to match the talent pool of the PAP; a two party system would materialise only if the PAP itself allowed it to happen; and, Singaporeans were just too comfortable with the status quo to precipitate a forceful emergence of a two party system.

5. Mr Lee Kuan Yew would have left the political scene by 2030 and this could cause some erosion in elite cohesion where there would be differing views made public and even become entrenched among the PAP elite. The electorate would be more sophisticated and willing to challenge established views. They would want to have their views heard and use the Internet as a medium to engage the government. Support could decline. Over the years, Mr Peh argued, we saw the PAP arresting a decline in the popular vote by expending a great deal of political capital - with unhappiness from the ground against last minute gerrymandering or the 'votes for upgrading'. The question was: what was the additional swing or the marginal voter worth over time? Was the mandate of less than 65% from a well-educated electorate so unacceptable and worth avoiding at all cost?

6. On the future of the Opposition, Mr Peh noted the recent revival of the Worker's Party, but felt generally that its fate rested in how the PAP wished to engage it: would it play the politics of accommodation for the sake of its longevity and pre-eminence in the system or would it engage in the politics of maintenance to uphold the desire for a one-party system and, at what cost?

7. On the political values of the populace, PAP maintained that it could only allow for a gradual liberalisation that was in sync with 'the silent majority'. Mr Peh argued however that we could not assume that the composition of society would be static. The greater presence of foreign talent would impact social integration as well as political values.

8. In closing, Mr Peh said that we faced three scenarios. The first of which was that the status quo was maintained; the second, where there would be the politics of accommodation with the PAP Government claiming to play a 'moderating role'; and the third, where the PAP would allow for political liberalisation was prepared to accept the consequences. In terms of the rhetoric, he said, the PAP was aiming towards the second scenario, but it seemed to have difficulty matching the rhetoric with concrete action.

ICT Myths and Singapore Realities

9. Mr Arun began his presentation by looking at how the Home would become the new office space in 2030. Homes would be powered by computers that allowed for visual, oral and textual communication through touch, voice or typed commands, with no bias against literacy, language, age or physical disability. This would create many opportunities for people who were otherwise homebound by necessity or choice. New forms of businesses as well as jobs would spring up based on digital services. The key limitations of this scenario were the much reduced face-to-face interaction with colleagues, the erosion of the sense of community and corporate identity. Though working at home seemed to promise a healthier work-life balance, it could also mean workers being on a perpetual 24 by 7 standby mode. This would mean more intrusions into personal life, violations of privacy and it might also give way to a higher level of digital thefts.

10. The second area discussed by the presenters was the impact of ICT on civil society, namely through the development of 'the information commons'. The latter was a resource for easy and mostly free access to common use of information and knowledge both individually and collectively. These could serve as real and virtual spaces for community interaction. There were three barriers to harnessing the potential of this idea – the cost, copyright issues and censorship. Our libraries would be re-conceptualised from being a place - repositories of books to a function - knowledge navigators that sought out and assembled knowledge for the community.

11. The third area that was discussed was how ICT could impact the political landscape in Singapore. Previously, it was thought that ICT would empower political expression. There were two possible scenarios: first, that by 2030, Singaporeans would have made that quantum leap to a genuinely democratic political system and the second, where the status quo was preferred as people felt that they had a government that delivered wealth and an equitable distribution of wealth. However, Mr Arun argued, judging from the use of the Internet in the General Elections in 2006, barely 2% of the material on the Internet engaged in any serious political commentary, much less oppositional politics. This seemed to suggest that the second scenario was more likely.

Discussion

12. The Chairperson, Prof Chua kicked off discussion time by sharing two comments. First, on the question of the political values of the next generation of Singaporeans, Prof Chua said that it was not likely they would be more politically demanding. It was possible that they would completely ignore politics altogether. If they were truly 'global', then the state was going to be irrelevant as they simply focused on the pursuit of self-interest. As we spoke of Singapore as a 'global

city', it was clear that 'the city' had a function but it was not clear what sort of function or role 'the state' would serve for the later generations of Singaporeans. Of course, the state's function seemed clear now because of the security threats we faced.

13. Second, Prof Chua said that if we projected a picture of Singapore's future based on current trends, we would not anticipate any changes or any surprises. He proposed thinking about the question in a different way: what was the cost of having a political system that was dominated by one party? If we were not convinced there was a cost to this, it would be no wonder we did not feel there was any need for change.

Factionalism in the PAP

14. The first question was posed to Ms Zuraidah and Mr Peh on whether they had detected any factionalism in the PAP that might fully manifest itself after Mr Lee Kuan Yew had left the scene; a factionalism that might even challenge the position of Mr Lee Hsien Loong then. The participant said he thought the previous prime minister-- Mr Goh, had said that it was the members of Parliament in the party that selected his successor and not the PAP Central Executive Committee (PAP CEC) which indicated the potential this factor might have in the future.

15. Ms Zuraidah confirmed that the prime ministers had not been selected by the PAP CEC and it was likely that the fourth prime minister would be chosen in the same way. She felt, however, that it was unlikely that there was any factionalism in the PAP as the process of recruitment into the party cadre ensured that level of cohesion. However, it was an open question if the current level of cohesion would prevail after Mr Lee Kuan Yew. Mr Peh added that while there were those who tried to segment the PAP MPs into the grassroots versus the technocratic type, the current demands were such that all MPs had to have grassroots experience and good grassroots rapport. He said it was instructive to see that there was now a Second Minister of Foreign Affairs so that the Foreign Minister could be relieved to spend more time on the ground. Hence, even that characterisation was not all that valid either.

Prospects of Electoral Reform

16. Next, another participant asked if the first paper had considered the possibility of electoral reform, the possibility that the political opposition might decide to play 'outside the box' or the rules determined by the PAP, and finally, the possibility that there could be members of the current elite that might spring forward after Mr Lee Kuan Yew had left the scene simply because it did not make much sense to do so now? The Chairperson added that if the scenario that Mr Peh had presented seemed 'dark and gloomy', would Singaporeans think that there was really no benefit to being a citizen. Or could they get away with simply being spectators?

17. Ms Zuraidah said that even with the senior Mr Lee leaving the scene, the system was likely to endure for some time. On the question of electoral reform, she said that there were some early signs of a desire for an independent electoral commission and for some change in the system of Group Representation Constituency (GRC). It would then depend on how much political capital the PAP was willing to expend in trying to deflect some of these desires on the ground. On the other hand, some have argued that Singaporeans were willing to emigrate because they preferred to live in what they perceived would be an open society (and not just because of the economic opportunities presented for doing so.) Yet, if we looked at the foreigners who were choosing to come to Singapore and stay, were we facing the possibility of a rising tide of conservatism which would increase the support for the current political regime. These new citizens would choose to support the PAP because they were disillusioned with the political process and system where they came from. What they were looking for could be the very fact of the fairly 'uneventful political life' that Singapore offered!

18. Mr Arun added at this point that unless there was electoral reform and specifically, to the 'first past the post system' and the GRC system, whether the PAP won 66.6% or 86% of the popular vote did not matter in terms of the number of PAP representatives there were in Parliament. It was difficult to see how there could be any change in the political regime, nor any effective measure of the political cost of maintaining it.

19. Prof Chua responded by saying that it was important to look at the finer details of the political system and realise that indeed, there had been change and that there were costs attending to being a one-party dominant state. For instance, re-perceiving the GRC system, by ensuring that say 25% of the representatives in Parliament were from the minority races, one could see that it guaranteed that there would be a Chinese majority forever. Any system that did this had to answer to the question of whether it was truly democratic. The cost was borne by the non-Chinese. Another illustration was that the Government was distributing far more money to the poor under Lee Hsien Loong's administration so that it was far more 'welfarist' than it would admit. It was therefore important to look past party structures to understand to the polity we lived in.

20. Mr Tan added that the PAP had framed what democracy was by saying that it was about economic growth and prosperity and that this was the compact that the state had with the people. Could it unravel? It did not happen with the last recession and elections in 2001, but could it have happened if the PAP had not been able to turn the situation around? Citizens clearly acquiesced to 'give up their freedom to have their economic cake'. Yet, it had to be noted too, that Singaporean also enjoyed increasing social freedom and as testimony to that there was one point when Singapore was even in competition with Bangkok for

being the gay capital of Asia and generally, expatriates found Singapore attractive to live in.

The Media Regime in 2030

21. Another participant asked if change in the media regime was likely in the future especially in the light of the Mr Brown affair where the Government seemed to want to keep the dissenting views out of the mainstream media and manage them by disparaging those in the new media? This was given that media control and constraining the opposition were usually understood to be integral to the current political regime. Mr Arun said in response that platforms for views were now readily available through the New Media, but the quality and quantity of political expression was still low. Clearly, the latter was not a question of the restrictions placed on media but of the political mindset, the psychological base from which Singaporeans operate. People were not agitated or discontented on the big political issues as we might imagine them to be. It was also not tenable to try to separate the traditional from the New Media as platforms for expression. In fact, it was a naïve assumption that because something was in the Straits Times or Zaobao that it would have a greater effect on citizens. This sort of distinction or separation could apply to a segment of people, perhaps the older set, and only for a limited period of time. The younger set was more likely to be moved by far by what they saw on the screen.

22. There was much freedom in the cultural sphere and in the New Media added Prof Chua but it was only at the moment that translated to political contestation then one faced a different kind of hurdle. Mr Arun agreed, citing Yawning Bread and the existence of other gay sites to suggest that it was really only at the point of mobilisation that it was viewed as a threat. Admittedly, there were special restrictions on political expression during elections. However with the incident of the banning of the Complaints Choir, the artistes put the material on the Internet and probably ten times more people watched it than there would ordinarily be, because of the negative publicity. This was the potential of the New Media. One could get around the restrictions. But, when it came to 'hard politics', Singaporeans did not seem to be 'getting around it' and this was a bit puzzling.

The Cost of the One-Party Dominant State

23. One participant suggested that a cost of the current political regime was that younger generations felt that the need to choose sides – either one was for the PAP or one was viewed as an enemy of the state, and this was alienating. There needed instead to be a space where political pluralism was allowed. We could not achieve our ambition to be a global city without this.

24. Another participant agreed that elite cohesion seemed to be tight and would be maintained. This was because the PAP promised that they would provide a system of integrity and that there would be no corruption. However, the participant noted that people had overlooked the power corruption that had

taken place so that if there was any hint of a slippage in PAP's power, all the tools of the state were mobilised to quash such a threat. The other point was that the PAP was a broad church that was able to accommodate the elites even if there was diversity of views. This ensured its on-going survival. He said it would be good that even as politicians said they hoped Singapore would be a gracious society, they too would become a 'gracious government'.

25. However, Mr Peh added that he did not think that younger Singaporeans were moving out of the country because of a 'fear' they had or disenchantment with the political system. He was more convinced that they were moving out for the economic opportunities and attractive lifestyles. The participant who raised the issue then said that it was important to attract these people back to take charge of the country, whether by playing a role in government or in the other sectors in Singapore.

26. One participant felt that another cost of the system was people's response to National Service. He said that he found that many permanent residents or new citizens would not register their male children in the same way. The latter remained on student's pass and that was to avoid any national service liability. Of course, he had friends who were citizens who chose to emigrate because they were tired of the system. We lost people because of National Service but it could also speak of the larger cost of people not being prepared to take on that sense of loyalty and sacrifice for the nation under the current regime.

Conclusion

27. There seemed to be a consensus in both the presentations that the most plausible scenario was that we would see only very gradual change in the political system as most Singaporeans supported the status quo as long as their own self-interests were met. However, there were costs involved in terms of whether the system was fair in how the minorities were represented, in whether the system was an accountable one, whether it might alienate young Singaporeans looking for a more open system with opportunities to voice their views and hold different political positions, and more fundamentally, the sense of loyalty and sacrifice for the nation that the system was nurturing. The New Media paradoxically demonstrated that Singaporeans were contented with the status quo. It was really dependent on the impact of Mr Lee Kuan Yew leaving the scene. Would that result in factionalism in the PAP and an erosion of elite cohesion? That was the real unknown.

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PARALLEL SESSION POPULATION PROJECTIONS AND URBAN PLANNING

**“Singapore: Demographic Trends and Social Security”
Yap Mui Teng and G Shantakumar**

**“Land Use Planning and the Environment”
Malone-Lee Lai Choo and Chua Yang Liang**

**“Healthcare for the Future”
Phua Kai Hong and Vernon Lee**

Introduction

1. This session was chaired by Prof Ooi Giok Ling, of the National Institute of Education. Dr Yap Mui Teng presented her joint paper with Dr G Shantakumar on the demographic challenges facing Singapore with different projections for population growth and migration. Dr Malone-Lee Lai Choo presented her joint paper with Dr Chua Yang Liang that focused on the urban planning challenges while Dr Vernon Lee presented his joint paper with Associate Professor Phua Kai Hong that provided their views on healthcare provision, innovations and responses to possible public health threats in the coming years.

Demographic Trends and Social Security

2. In an era where people were living longer and fertility levels remained a constant low with no real change in sight, Singapore’s dependency ratio was expected to rise from 12 elderly per 100 adults¹ in 2010 to 28 elderly per 100 adults in the year 2030. Concurrently, the support ratio had been projected to decline from 8.3 adults per elderly in 2010 to 3.5 adults per elderly in 2030. Issues such as the burden of taxes, an increase in national healthcare spending for an ageing population, as well as the problem of Singapore’s defence in the absence of young male Singaporeans would arise.

3. Dr Yap and Dr Shantakumar’s study generated 48 different scenarios of fertility and migration trends in Singapore to examine their potential effects on our population structure. Findings underscored the fact that an attempt to restore population balance by increasing the nation’s fertility would be comparatively slower than increasing migration to Singapore. Nevertheless, their study further illustrated that even a substantial increase in migration would not be able to reverse the ageing trend and replicate the proportion of working age people to dependents that currently existed. A combination of current circumstances and

¹ Working Age Population

the post-war baby boomers effect had afforded Singapore the excellent demographic bonus that Singapore had enjoyed till now. In addition, while a high migration level may be an excellent short-term strategy, there was a need to consider the less desirable impact of such a strategy that had to be anticipated and dealt with - congestion, potential over-building and the social challenge of integrating new migrants were just a few examples of these.

Land Use Planning and the Environment

4. While the approach to urban planning in Singapore had served her people well till today, the future of planning was expected to change drastically to accommodate the various economic, social and cultural changes that were likely to take place within the population. In addition to an ageing population, the rapid pace of demographic and social changes had resulted in an increasingly less homogenous population with a larger variation of needs, a growing transient population and widening income gaps. Dealing with a progressively more educated and well-travelled population, planners had to move away from the more traditional notion of merely providing, to one that allowed for more trust and choice based on innovation at the community level.

5. Future land use planning would have to deal with the need for rapid information flows, respond quickly to market changes, demand for environmental sustainability and the incorporation of technological change into urban design. The shift in emphasis to cultural and natural resource conservation in the creation of a “City of Collective Memory” further necessitated the need for more innovative approaches to urban planning to ensure optimal provision. In line with Charles Landry’s notion of “The Creative City”, the Singapore city centre and its fringes should also be developed to improve its competitiveness, critical mass, diversity as well as accessibility.

Healthcare for the Future

6. Set against various demographic, epidemiological and socio-economic transitions, an escalating healthcare demand in Asia was expected in the near future. An ageing Asia would expect an increase in chronic non-communicable diseases, rising mental health and disability issues that could only result in a higher healthcare expenditure in the future. The potential resurgence of infectious diseases such as SARS, dengue etc. was also addressed by Dr Lee.

7. In particular, the increasing use of sophisticated technology and new medication to control diseases was expected to decrease morbidity and mortality. However, this begged the question of affordability and if such a development would exclude the lower-income individuals who were unable to afford the high costs. The area of healthcare could thus be a source of consumption or a

potential investment in economic growth for Singapore. Better public health education, better patient and healthcare worker education would be critical to introduce more holistic measures towards better healthcare and cost control.

Discussion

Fertility vis-à-vis Migration in Singapore

8. With the high level of foreign migrants living and working in Singapore, the issue of migration had been a significant issue of contention over recent years. It was nevertheless important to note that, in the event of a complete absence of migration (0%) and a low fertility rate, the potential consequences would inevitably create a separate set of problems that would have to be addressed. As a result of the decline in population numbers and the simultaneous ageing of the people, manpower shortage would become a critical problem to deal with. Since there was very slow progress in raising fertility rates, there was no choice but for Singapore to focus on immigration to boost the population numbers. In doing that, the emphasis needed to be not merely on increasing Singapore's population, but on having a right proportion of the population in the working age groups vis-à-vis the elderly and young population.

6.5 Million Population

9. Since the announcement of a planning parameter of 6.5 million people, Singapore's future population size had been a hotly debated issue amongst Singaporeans. As a planning parameter, the population figure of 6.5 million would be used to make various projections for housing, schools and community buildings, in addition to other infrastructure. In line with the change in approach in urban planning, the choices of people and stakeholders should be incorporated into plans.

10. A participant asked if an influx of population truly made life better for Singaporeans or added stress to our children in the future. Was it a problem that the more educated our children were, the more reluctant they were about returning or staying in Singapore? Instead of this emphasis on a constant generation of more and more income, participants appealed for a rethink of public policies in this area. Participants wanted a more 'open-minded approach' to Singapore's population problem – using technology for instance, to improve the productivity of the people, or to channel the production of goods overseas to reduce dependence on foreign manpower if necessary.

Population Growth and Environmental Sustainability

11. Issues of sustainability were also raised in relation with population growth in Singapore. Rather than overly push the issue of population growth, a discussant highlighted the need to utilise resources carefully and to ensure that sufficient resources existed to support the growing Singapore population. 'Responsible consumption' was suggested as a way to ensure that Singapore would continue to enjoy sufficient capacity to grow.

Transient Population

12. Some participants felt that immigrants to Singapore could help to contribute to a more healthy fertility rate. Currently, most foreigners tended to migrate along with their family and had not contributed to any large increase in fertility level as yet. Perhaps more fine-tuning of current pro-natalist policies to include permanent residents could attract them to sink roots and have more children here in the long term. Without immigration, the number of deaths would eventually supersede the number of births of new Singaporean citizen.

Retaining Local Talent

13. With increasing numbers of Singaporeans venturing overseas, a participant urged for more recognition of our Singaporean talent and a more concerted effort to retain Singaporean talent. Local employers had done little to out-bid foreigners for Singaporean talent, to reach out to local talent to use and retain them. Immigrants or foreign talent should instead be sought only to “supplement” rather than replace local talent. This was what the policy should prove to do.

Healthcare for the Medical Tourists vis-à-vis the Lower Income Groups

14. The issue of affordability of medical technology for lower income citizens was broached by a participant who was apprehensive about the promotion of Singapore as a healthcare hub for medical tourists. Would the provision of access to healthcare for the medical tourist be different from the provision of healthcare to the lower income groups? Seen as a double-edged sword as well as a calculated gamble, it was therefore crucial to manage the potential social costs of medical tourism while reaping the economic benefits that medical tourism may accrue.

Healthcare Financing for Alternative Medicine

15. It was proposed that alternative medicine practices would become increasingly incorporated into mainstream Western medicine and as such, these could be incorporated into the coverage provided by the 3Ms (Medishield, Medisave and Medifund) in 2030. However, participants cautioned that more research and development was required in this area to ensure scientific validity and prevent unnecessary wastage of monetary resources.

Conclusion

16. The significant impact of the high level of migration into Singapore was already keenly felt by Singaporeans and even more so with the announcement of the planning parameter of 6.5 million over the next 40 years by the authorities. While attracting immigrants to Singapore could well serve as a short-term solution to Singapore’s population problem, it was crucial that emphasis remained on maintaining the right proportion of the working population vis-à-vis

the elderly and young and finding ways to improve the productivity levels of local workers. We should also be mindful of the potential social costs of such a immigration strategy. Issues relating to healthcare, environmental sustainability, urban planning and the retaining of local talent should be managed carefully to ensure sustainable growth and positive social development of the Singapore population.

PARALLEL SESSION PHILOSOPHIES OF NATION AND IDENTITY

**“Singapore and the Threats to National Security”
Norman Vasu and Yolanda Chin**

**“Multiculturalism, Identity and Citizenship”
Tan Sor Hoon**

Introduction

1. This session was chaired by Dr Cherian George, Acting Head of the Division of Journalism and Publishing, Wee Kim Wee School of Communication and Information at the Nanyang Technological University. It focused on the questions of national identity and multiculturalism - how they were likely to change or be impacted by changes and affect the way Singaporeans felt bonded to each other and rooted to Singapore in 2030. Why would this matter at all? Dr Norman Vasu presented his joint paper with Ms Yolanda Chin, and the second presentation was by Prof Tan Sor Hoon.

Singapore and the Threats to National Security

2. Dr Norman Vasu explored a set of national security issues and suggested the need to strengthen the sense of Singaporean community, and for state agencies to engage the community more actively to address them together.

3. He began by noting that conventional notions of national security referred to a state using its armed power to protect its sovereignty, territorial integrity, and maintain public order internally. With the rise of non-traditional threats to security such as of terrorism, environmental crises and pandemics that would have direct impact on citizens but were even harder to anticipate than traditional threats, states had begun to recognise their finite power in their ability to respond effectively to such threats. It was imperative therefore that they engaged citizens actively and meaningfully to develop a common understanding of those threats and develop possible responses together.

4. In Singapore, this ‘process of securitisation’ had been primarily elite-driven, shrouded in secrecy and based on a tacit faith among citizens in the state’s security agencies. The challenge now and going into the future was to enlarge that process to include citizens.

5. What was the cost of the current status? Dr Vasu painted two possible scenarios for 2030. Scenario One was where a crisis took place that would result in some stress on the social fabric. The economy could even suffer.

However, because the scenario had been anticipated and well-planned for, the Government would be able to give people the assurance they needed and get the country to pull together. Government policies would be vindicated, and the trust between Government and people strengthened as the social fabric was rebuilt.

6. Scenario Two could be described as Crisis X or the 'Rumsfeldian unknown unknown' and as such, it would be a huge surprise. The reaction time would be slow and the economy and social fabric would suffer gravely but its most significant impact would be a severe erosion of trust between the Government and the people. Since roles were so clearly defined, there would be a sense of being 'let down'. The myth of invincibility of the state would be shattered. The outcome after society had recovered from the immediate impact of the crisis would be a high level of cynicism among the populace. People would be constantly questioning their social compact with the state.

7. To avoid the outcome of Scenario Two, it was therefore important to examine the current 'process of securitisation' to foster closer with the public in it. A realistic appreciation of what the threats were, the limits of state action and the stake citizens had in playing a greater role would be key objectives of this. Using the problem of self-radicalised terrorists to illustrate, it was more likely for a member of the public rather than surveillance of security agencies to pick up such a threat. It was important for citizens to understand their role in dealing with such problems.

Multiculturalism, Identity and Citizenship

8. Assoc Prof Tan examined the way multiculturalism and issues of identity and citizenship in Singapore might play out in the future. In her interpretation, the way multiculturalism had been practiced in Singapore with its relative emphases on unity and diversity was different at different times. Singapore seemed to have started out by emphasising unity in terms of equality for all groups within a larger meritocratic system of social order. Later, this shifted towards a greater emphasis in diversity with the establishment of the ethnic self-help groups, introduction of religious knowledge and moral education curriculum in schools. In a third phase, the Government spoke of a new balance where Singapore's main ethnic communities existed in their circles that overlapped with the common space signifying national spaces of unity and common identity in Singapore. The multicultural harmony we enjoyed today was a result of careful management, yet there had been sporadic incidents that suggested the need for constant vigilance over this area.

9. To modify policies and change attitudes in order to strengthen our multiculturalism as a global city, conceptual issues would have to be clarified and old assumptions re-examined – for example, the difference between race and

ethnic group, between social categories and groups with identity. In the Government's operating framework of how the population of Singapore comprised Chinese, Malay, Indian and Others (CMIO), these were often viewed as social categories which had an impact on the people's behaviour, giving rise to some group identity over time. Its limitations were that it ignored intra-group diversity and this had surfaced most recently in the discussion of where the Mainland Chinese fit into Singapore society. Also, the constant reference to people by their ethnic group made the formation of a national identity difficult; citizenship meant little more than one's legal status without it. Yet, Assoc Prof Tan argued that building up national pride did not take away from one's sense of ethnic identity either.

10. Assoc Prof Tan pointed out that a key driver of change that would shape the future of our multicultural society had to do with the global flow of people and ideas. Inviting immigrants from all over the world to Singapore would lead to challenging social issues of integration. There would also be a counter-flow of Singaporeans going global. What would these do to the sense of 'being Singaporean'?

11. Assoc Prof Tan painted three scenarios: The first was a disastrous scenario where Singapore became a victim of ethnic wars. Such conflict could arise internally if cultural dynamics were not managed well and were further exacerbated by socioeconomic changes that divided the people. There could be a spill-out of Singapore or a spillover of ethnic tensions into Singapore from the region. These conflicts would invariably lead to a reduced number of visitors to Singapore and residents fleeing the country even. Singapore would become part of the backwater of Asia.

12. The second scenario, using Singapore's 'Changi International Airport' as a metaphor, was of a city that was always welcoming of all, with all the attractive modern amenities of a global city. The context for this was a globalising world that tended towards homogeneity in terms of what was defined as 'the good life'. Singaporeans or foreigners would be in Singapore because they could make a good living in an efficient hub but they could leave whenever they wanted to and nobody would blame them for being disloyal.

13. The third scenario was one where Singapore was globally integrated but had a locally robust system of multiculturalism. Singapore continued to flourish economically as she found her new competitive niche in a global economy. State intervention in ethnic relations would decrease and a flourishing civil society would be seen to ensure social integration and multicultural harmony. Singapore's population would be more diverse than ever but cultural, ethnic, religious and other differences would not coincide in such a way that would split Singapore society into antagonistic blocs. Instead, there would be overlapping differences where people would have multiple and fluid identities to coalesce around different issues at different times. Ties that people had with other people

groups outside the country would never be seen as security risks but celebrated because they would facilitate more cooperative projects, useful cultural ties that enhanced people's lives

14. Assoc Prof Tan proposed a few key steps to help us move towards the third scenario and avoid the first two. First, that more sophisticated conceptual tools and frameworks should be developed for understanding social differences and each applied thoughtfully. Policy makers would constantly check back to assess impact and adapt along the way. The CMIO frame was not always the correct one to use. Second, with increasing mobility, Singaporeans needed more flexible notions of citizenship that were more inclusive but, not that 'starry-eyed' as to be unable to rise to the challenge of dealing with real threats. Third, develop participatory institutions that would protect and nurture multiculturalism and especially the well-being of minority groups recognising that the sheer logic of numbers worked against their interests. Goodwill was often not enough to ensure that minorities got a fair deal. Civil society would have to rise to the challenge to ensure that multiculturalism flourished. Finally, our belief in multiculturalism had to be played out in our interactions with real people in the neighbouring countries. We should not be perceived to be exploiting our neighbours but seek to be humble and generous towards them. This way, there would also be less need to fear or be suspicious of transnational ethnic links.

Discussion

Multiple, fluid identities make you less 'Singaporean'?

15. In the first question, a participant asked the speakers if they felt Singaporean and that their national identity was dear to them especially since they had studied abroad. The speakers said that while they agonised over their national identity initially, it became a non-issue in terms of behaviour and culture. Also, they felt that the notion of multiple and fluid identities was more attractive where each was relevant to the context one found oneself in. It did not make anyone less 'Singaporean' to adopt such an approach.

Instilling a new democratic culture and sense of responsibility for security

16. Another participant asked how Singaporeans could develop a new social compact with the state where they could be truly partners in nation-building and deal in a shared way with traditional and non-traditional security threats. This seemed to require a new democratic culture for Singapore. Dr Vasu clarified that what he meant was for the old compact to be strengthened in addressing the problem of involving the people in the process of securitisation way too late; citizens should be involved further upstream. Again, in the example of dealing with the threat of self-radicalisation, the authorities could bring to people's attention the sort of knowledge they needed to help to identify potential threats. Assoc Prof Tan said it was something that was up to citizens to shape. If it was important enough to them, they would shake off apathy and start engaging with

each other. There seemed to be little motivation to try to resolve problems through discussion; little patience for dealing with complexity in issues and diversity of views. The State could try to make such spaces available and help foster such a political culture among Singaporeans, but it was up to citizens to do the work.

Re-defining multiculturalism

17. Another participant asked exactly how multiculturalism could be redefined or thought about for Singapore especially since what had been in evidence and practice in Singapore was not multiculturalism but multiracialism. The participant explained that the latter looked at diversity and heterogeneity of communities in the nation as liabilities to be resolved and the former at diversity as assets to be celebrated.

18. Responding, Assoc Prof Tan said that indeed, the concept of multiculturalism had much more specific meanings and connotations in academic circles which did not currently apply to the Singaporean context. She hoped that with some persuasion, people would come to think more in terms of the broader idea of multiculturalism and move away from the centrality of race; it was about changing mindsets that multiculturalism. It was not just about being 'Chinese, Malay, Indian and Others' but about rather about diversity of human practices that had certain stability over time.

Conclusion

19. The nature of security threats discussed suggested the need for citizens to play a greater role in defining how they might be impacted by them and the role the public could and should play in addressing them. This seemed to require or force a new 'democratic culture' on Singaporeans. Likewise, if the imperative was to attract more 'foreign talent' to our shores and if we recognised that Singaporeans were increasingly mobile, then the highly structured ways in which we conceived our multicultural society would need to admit a far more self-defined element of who we were. This would allow for greater diversity and sense of inclusion, yet without, as speakers argued precipitating an erosion of the larger identity of being 'Singaporean'.

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Plenary Session IV

“Dialogue on the Future”

with

Mr George Yeo Yong-Boon, Minister for Foreign Affairs

Mr Lim Swee Say, Minister in the Prime Minister’s Office

**Mr Yaacob Ibrahim, Minister for the Environment and Water Resources and
Minister-in-Charge of Muslim Affairs**

Mr Khaw Boon Wan, Minister for Health

Introduction

1. The chairperson for this session was Prof Kishore Mahbubani, Dean of the Lee Kuan Yew School of Public Policy, National University of Singapore. He began the session by posing six questions that had been submitted by the chairpersons of the six parallel sessions that preceded the session. After that, the audience was invited to pose their own questions to the ministers.

Dialogue session

Focus on ASEAN

2. The first question posed was whether it would be more worthwhile for Singapore to invest her efforts at developing closer ties with wider Asia and the global community, than dealing with the great complexity and challenges of bringing about closer ASEAN integration? Minister George Yeo replied that the Government had indeed been devoting considerable resources to ASEAN as the basis of Singapore’s foreign policy was to have a strong Southeast Asia, which could then interact effectively with its major partners – China, India, Japan, the United States (US), Europe, Australia and so on. It was important for Southeast Asia to be at peace and integrated. If not, and because of its strategic position, the major powers would interfere and intervene in the domestic politics of individual countries and nurture client relationships among them. This could result in a balkanisation of Southeast Asia and ‘our lives would be much harder and a lot busier’ he said. The rise of China and India was also a challenge to Southeast Asia and demanded a suitable response in order to maintain the latter’s presence and relevance. Therefore, it was of fundamental interest for countries including Myanmar to dedicate themselves to building up ASEAN. For these reasons, drawing up the Charter last year was less difficult than expected. Leaders were supportive of the process as they understood their interests, and there was political will to make it work.

Cost of a One-Party Dominant State

3. The second question was whether there was a cost to continued one-party domination in Singapore’s political system? Minister Lim Swee Say said he would reply from the viewpoint of the rank-and-file workers as he interacted with

such workers on a daily basis at the National Trades Union Congress (NTUC) where he was Secretary-General. In 2007, the global benchmark for the growth in the world economy was 5% and for unemployment rate, 6%. Minister Lim informed the audience that he plotted 56 countries and economies on a 2-by-2 matrix where on the vertical side was growth in gross domestic product (GDP) of more than 5% and less than 5%; and on the horizontal axis was unemployment rate of more than 3% and less than 3% assuming that 3% was the de facto demarcation point for full employment. On the top left category (high economic growth without full employment), there were 25 countries including China and India. In the bottom left category (low economic growth without full employment), there were also 25 countries such as the US being the most obvious example. Thereafter, only 6 countries were left and 5 of them (Thailand, Iceland, Norway, Switzerland and Denmark) were in the bottom right category (full employment but low growth of less than 5%). In the top right quadrant (high economic growth and low unemployment), only one country remained - Singapore.

4. 2007 had not only been a good year for the Singapore economy but also a good year for the Singapore workers since the retrenchment was the lowest in 14 years, annual wage increase was the highest in three years, and monthly bonuses were the highest in 17 years.

5. Singapore workers were not interested in whether this was a one-party dominant system. Workers voted for the People's Action Party (PAP) not because they were pro-PAP but because PAP was pro-Singapore, pro-business and pro-workers. By being pro-business, GDP growth was more than 5%; there was increased investment flow; and consequently, job creation. By investing in workers' education, Singapore had one of the lowest unemployment rates in the world. So, the question was not so much the cost of having a one-party dominant system but the cost of having a good or bad government.

The CMIO Model: Immutable?

6. The third question was whether the state's Chinese-Malay-Indian-Others (CMIO) framework of Singapore's multiracialism was an immutable fact, especially since culture and identity were things that seemed to be inherently generated bottom-up. In response, Minister Yaacob Ibrahim replied that in the earlier years of nation-building, some form of categorisation was certainly necessary especially to understand different cultures and different groups. But looking forward, Minister Yaacob asked whether we needed such categorisation? Meanwhile, it was clear that the 'O' component was growing and Singapore would become even 'more' multiracial and multicultural. This was the most current challenge to traditional notions of that framework.

Social Security and For Whom?

7. The fourth question was whether the middle class especially if people belonged in the 'sandwich generation' where they had the burden of looking after their children and their seniors, needed as much help from the state as those in

the low income brackets. Minister Khaw Boon Wan said that his attention had been drawn to the 'sandwich class' umpteen times as he did his consultation on means-testing for healthcare. Government policies had always looked after the well-being of people in all income groups because if it only looked after the interests of the low-income people (bottom 10-20%) and made life difficult for the rest of society (60-80%), it would be difficult to carry the vote come election time. The middle-income group was of particular interest because it straddled a large portion of the population. Taking the example of means-testing, the Government wanted to help low-income since hospital expenses tended to be high, but how low-income, middle-income or lower middle income groups were defined for the policy would have to depend on the expenses they tended to incur on average and how the burden was borne. If it was, for example, a few dollars or few tens of dollars, virtually every Singaporean would not have a problem footing the bill. However, if the bills came up to a few hundred dollars or couple of thousand dollars, the low-income and lower middle income groups would need help whereas this would be less of a problem for those in the upper-middle and upper income classes. A policy had to take into account what the burden was and needed to be helpful and fair to all. Hence, with proposed hospital means-testing, Minister Khaw said the criteria were set very high so that at least half of all workers would be helped.

Economic Growth and Planning – Top-down or Bottom-Up?

8. The fifth question was whether the Government could continue with an economic model that hinged so much on its top-down role given how complex and unpredictable the trends in the global economy were. Minister George Yeo observed that this growing global complexity was not necessarily bad for Singapore: while there were dangers, there were new opportunities. He said that the Government was not ideologically committed to whether the investments or the companies should be big or small so long as they generated wealth and created employment opportunities that ultimately benefited Singaporeans. It did work hard to attract big investments and multinational corporations not just because they were important for direct employment but that the spin-offs and multiplier effects to the rest of the economy were also large. So, while he understood the occasional complaint that the Singapore Government and the Economic Development Board (EDB) in particular tended to favour the big investors, the Minister said that looking after the 'anchor investors' was also the best way to look after the smaller investors.

Population Targets

9. The sixth question was whether it was imperative that Singapore grew to a population size of 6.5 million – could we not target to attract a lower number of foreigners and develop high quality human resources internally? Minister Lim said that the key challenge to sustaining competitiveness was to identify and break the bottlenecks that emerged as the economy grew, which could be technology, resources, manpower and so on. Singapore's critical resource was still manpower and hence, if the manpower bottleneck was not broken, it would

be virtually impossible to sustain a high and healthy growth in Singapore's economy. To break this bottleneck, the Government first and foremost wanted to ensure that every young Singaporean was given the best education possible, and not-so-young Singaporeans were provided retraining to contribute their best to Singapore's workforce. To illustrate, water was a bottleneck when the wafer-fabrication industry was attracted to Singapore 1994. The Public Utilities Board (PUB) worked hard, developed NEWater and today, all wafer-fabrication plants ran on cheaper and cleaner water. Similarly, for manpower, Minister Lim claimed that for Singapore to continue to compete for good investments and jobs, it had to have good manpower and in sufficient numbers. No matter how good Singapore's 4.8 million people were, this would not be enough to compete with the rest of the world. Foreign manpower was thus necessary. Therefore, Minister Lim reiterated that on the part of the labour movement, as long as there was a big enough pool of manpower, Singapore would continue to break the bottleneck for high economic growth and consequently, outperform the rest of the world.

10. In response to the same question, Minister Khaw highlighted that the health sector would be on the receiving end of any large increase in the population numbers. While public hospitals usually hovered around the optimal occupancy rate of 85%, more and more public hospitals had begun to exceed this over recent years. Part of the reason was that while the growth in population had been at a predictable rate previously, the large entry of foreign population had brought about this situation especially since hospitals needed a long lead time to respond to such a change. This problem could potentially be resolved in 2010 when the new hospital with 550 beds in Yishun came on-stream. For Minister Khaw, no matter what the population figure one adopted, one always needed to plan ahead so that a high quality of life would be maintained. This could not be left to chance.

11. Responding to the same question, Minister Yaacob noted that 6.5 million people would certainly produce a lot more waste than 3.5 million people. More seriously, he cautioned that one should not compromise standards of living for increased population. For his Ministry, the issue of the environment in this economic drive was an important one since it involved critical resources such as water and energy. Singapore had painstakingly ensured that the environment was well managed and this should not be given away too easily.

Growth Targets for A Maturing Singapore Economy

12. The first question from the floor touched on why there was a need for Singapore to set a goal of maintaining 6-7% annual growth when the countries whose lifestyles Singaporeans wanted to emulate were growing at 3%. In response to this, Minister Lim gave the example of a wafer fabrication plant which would take in about 1000 workers (500 professionals and 500 production workers). When one pursued industries like this, one could not tell investors that their plant was too big since 1000 people was too much and ask them to half the size of their proposal. This would not work. Similarly, one simply could not tell

the company to have only one plant and request that it built its second plant elsewhere. For an investor to agree to build his first plant, he needed the assurance that the Government could cater to him if he wanted to build at least three more plants in Singapore later. As a result, the Government had to move towards the concept of creating a wafer-fabrication park so as to assure investors that the prospective the second and third plants would also be catered for. Hence, the Economic Development Board (EDB) targeted to have a cluster of 25 wafer fabrication plants and today, there were already 15-17 of them. This was to allow for the sprouting of other industries to support the operation of the wafer fabrication industry here. Like for many other projects, planners had to cater to the entirety or not at all. This was the concept of cluster development.

13. Minister Lim noted that each investor would pursue their business objectives to the fullest and it was thus the job of the Government at the macro-level to identify where the bottlenecks were and to break those bottlenecks. Minister Lim argued that it would instead be a happy problem if the economy grew very fast in the future rather than slip into a drastic decline. That said, Minister Lim shared his concern that the future would be a very tough one. More countries such as China and India as epitomised by their recent economic collaboration agreements as well as Taiwan and South Korea under new political leadership would want to move into the quadrant of high economic growth and low unemployment. Hence, the challenge for Singapore was how to remain competitive and break bottlenecks in both pro-business and pro-worker ways.

14. Minister Yeo highlighted that the story of Singapore was set against a much larger drama that was playing out of a resurgent Asia where half the world's population was journeying to the global marketplace after the Cold War. In the coming decades, there would be a constellation of cities which would sprout out all over Asia, feeding off this growth. Mumbai, Delhi and Shanghai had enormous hinterlands for joint talent resources and opportunities. Singapore needed to remain part of this constellation of cities in this century. Hence, if Singapore's economy was growing, we should not stunt it. Singapore should try and develop a hinterland in the Southern peninsula and the islands around us, but there were political difficulties going beyond. At least, one had to remove all constraints within Singapore and push the limits until the costs became too much to bear. While the vitality of the different sectors in Singapore's economy might not last forever, Singapore's organising philosophy should be to move with it while it lasted and not stunt developments in the least.

Maintaining Good Governance Requires Good Leaders Throughout Society

15. The second question from the floor touched on how to ensure that good governance would continue in Singapore. In response, Minister Lim argued that while most governments of the world could think of good public policies to keep the economy competitive, to keep the society cohesive, to keep the environment sustainable, they were not all able to execute such plans. Hence, in order to ensure good governance, one needed to have good people in government to

take tough policy decisions, 'carry' the ground and implement good public policies. However, Minister Lim cautioned that having good leaders in the government was not sufficient since good leaders were also needed in the private sector and in the community. Thus, one had to evolve over time towards a 3P (public, private and people sector) ownership model from the current model of 3P partnership which seemed to be owned by the Government. This involved taking ownership of economic development, healthcare and the environment so that good governance which broadly included government, business and society could be sustained on a longer term.

16. Responding to the same question, Minister Yeo noted that this question was posed in every country, and not just in the 21st century. While every country wanted to have good government and good leaders, few countries had been able to achieve such an outcome. This was the story of human history and a question about the historical evolution of human society. Referring to Arnold Toynbee's 'The Importance of a Challenge', Minister Yeo argued that without a challenge, there was no creative response and when a society was well-endowed, the people enjoyed too comfortable a life. They would start to develop bad habits and before they realised it, their systems ossified and they were left behind. Similarly, if one day, Singaporeans became smug and self-satisfied, boastful and arrogant, the decline would then begin to set in. So, would Singaporeans be constantly challenged? Yes because the environment in which Singaporeans existed would force them to stay sharp and vigilant. Minister Yeo pointed out that there were obvious vulnerabilities because being majority Chinese in a Southeast Asia where the Chinese were in the minority and had complex relationships with host communities. This invariably put Singapore in a complicated situation from time to time. As a result, there was a certain turn of the mind among Singaporeans who understood that life was merciless. These circumstances of Singapore's existence had fostered a certain political culture and according to Minister Yeo, this would persist for quite a long time to come.

17. As a related question, the panellists were asked whether good government could become 'better government' in which the 'A team' could become an 'A+ team' where the ruling party or the Government recognised that open and robust dialogue could be incorporated into the system, allowing space for dissenting voices to be expressed and heard rather than ostracising them. In response, Minister Yaacob argued that it may not be correct to say that the Government did not allow for dialogue or dissent. Minister Yaacob shared with the audience that having been in politics for over ten years and understanding how Government worked, one could assume that there was collective wisdom in the Cabinet. Consultations and discussions took place – sometimes openly and sometimes behind closed doors – and this process continued till this day. Minister Yaacob pointed out that even in the sector that he was responsible for – the Malay/Muslim community, extensive consultations had taken place and different views were heard before policy or programmes were formulated. Obviously, there were limitations to this process and this had to be recognised.

While the scale and pace of this process may differ, it was itself an issue for the Government and the people to discuss together.

Singapore Breaking Out of Her Constraints, Tapping Her Hinterland

17. Another participant commented that the issue with having an exponential growth in the number of foreign workers, foreign talent and permanent residents in Singapore was whether it would erode a sense of national identity and Singaporeans' sense of commitment to the country, to national service and defending the country. In times of crisis, would all those residing in Singapore hang together to defend the joint space they shared? On the other hand, the participant also asked what were the hurdles Singaporeans faced in exploring the opportunities presented on mainland Southeast Asia. Was it a question of infrastructure, like the transportation system? Was it possible for us to break out of our limited space and resources and collaborate with our neighbours more?

18. Minister Yeo said these comments were a reflection of angst and frustration of most Singaporeans who felt trapped within the confines of a city-state. It was also why Singapore was most enthusiastic for regional integration within ASEAN. While Singapore was very positive about working with our neighbours on industrial estates and on special zones, we would hold back from being seen to be overly enthusiastic which could lead to friction such as in Thailand. Minister Yeo candidly added that since we seemed to be stuck on a little island, could we convert it into a key point on a simple network that could help to energise that larger region? The frustration and constant desire to break out could be channelled towards creative energy. Locally, the strategic preoccupation with water had led us to a breakthrough in membrane technology and to develop NEWater. Similarly, future technology could one day allow us to use the waste material in the Semakau fields as a substitute for sand with which we could build roads. Therefore, if Singaporeans were frustrated with their constraints, it would push us to find creative solutions in many areas and sometimes even solutions on a regional basis.

19. Minister Yaacob also responded by highlighting how the environmental challenge of climate change was one of the biggest regional issues we faced yet one that presented interesting opportunities too. A case in point was the exploration into tapping renewal wind energy. While Singapore did not have the space for wind farms, they could be developed up North to the benefit of all. Yet the politics of developing such a proposal would be difficult to overcome. Joint cooperation and greater integration with the region was good but we could only proceed at a pace that others involved were comfortable with.

Ministers' Wish for Singapore on her 65th Anniversary in 2030

20. The next question posed was: what were the ministers' wishes for Singapore when she celebrated her 65th Anniversary in 2030? Minister Khaw replied that his wish was that Singaporeans would be healthy and added tongue in cheek that he dreamed of 'closing down' the Ministry of Health. Genetic

engineering would have progressed to the point where people could anticipate the diseases they were prone to have and would have addressed those problems proactively. At least, there would be a better quality of life for Singaporeans and the world.

21. Minister Lim's wish was that the Government would improve on its performance and that the sense of national identity would have become stronger. His hope was that the economy would still be able to grow faster than the average growth rate of the global economy where Singapore would have found a way to transcend her constraints and limitations. He hoped that this would be accompanied by social mobility and the income divide would be well-managed.

22. Minister Yeo cautioned that if nothing changed, by 2030, Singapore would be at the lowest point of its demographic profile. He gave the example of a town in Japan he visited which only had old working adults keeping it going as the young people had mostly left and were living in Tokyo. Singapore could potentially be like that. In contrast, cities like Shanghai, Bombay, Beijing, Calcutta, Hanoi, and Ho Chi Minh City would be throbbing with vitality in 2030. China, India and Vietnam would be having close to ideal demographical profiles in 2030. Singapore's response should be to bring in their young people and keep an open culture here so that they could plug in readily to the Singapore system. Singapore's strength would lie in being a cultural hub with links with the major metropolises, creating a maximum advantage for cultural arbitrage among them and the Western world. Singapore, in 2030, would thus become a London of Asia not just geographically but also culturally and economically.

23. Minister Yaacob said he dreamed of an environmentally conscious people, happy and rooted to Singapore. However, we also had to accept a certain fate that Singapore would always comprise a mix of immigrants and people who were 'indigenous' to Singapore in terms of generations born and bred in Singapore.

Dual Citizenship

24. Another participant asked if the Government had given further thought to introducing dual citizenship to retain the Singaporeans living abroad. Minister Lim said it would be difficult to share 3.6 million people with the rest of the world, and even more so given our sense of insecurity as a small state. He was not convinced that someone with dual citizenship would contribute equally to both countries. However, if the sense of national identity was strong enough by 2030, his position might change. Minister Yeo said that the deep underlying concern was of course national service which included conscription and reservist liabilities. Hence, there is always the fear that dual nationality would undermine that particularly since defence was a fundamental requirement for a vulnerable state like Singapore.

Changing Social Compact

25. The next question focused on how the social compact between Government and people as we knew it today, might change by 2030 especially with a high level of immigration expected. Minister Khaw felt that since demographics and value systems changed, it was unlikely that the social compact could remain unchanged. It would depend on voters. Minister Lim added that there were different aspects of the current social compact for instance in the areas of housing or the way the Central Provident Fund system was run which could be modified over time. However, he felt that the larger social compact between the PAP government and the people that promised a better life for all Singaporean would not change.

26. Minister Yeo cautioned that a social compact could not be strictly defined like a contract of law. People should not be watching the prices of cars or how many could afford watches but how many people are homeless, how many children lacked the opportunities to go to school or access to healthcare. He said that if we looked at those in the bottom 10-20% by income level, they were generally better off and better looked after than the poor of many other cities in the world. The reason why Singapore had been able to achieve a complete transformation of its society in one generation was because the PAP Government had always been extremely sensitive to that bottom section of the population. If, one day, these people were to be taken for granted, society would sour and that social compact would dissolve away.

Political Succession

27. The final question of the session focused on political succession – what would motivate people to take up leadership and should there be changes to the strategies of recruiting the 4th generation leaders? Minister Yaacob said that many had declined the PAP's invitation of political office but the party had to keep trying. The PAP would continue to cast the net widely but the key strategies had not changed.

Conclusion

Dean Kishore Mahbubani ended the session by congratulating IPS for her stellar line-up of speakers at the conference not least of which the panel he chaired. He noted that the conference was a testament to the quality and breadth of thinking on policy concerns on Singapore conducted by IPS.

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