

SPEECH BY MR LEE HSIEN LOONG, PRIME MINISTER, AT SINGAPORE PERSPECTIVES 2010, 28 JANUARY 2010, 11:40 AM AT RAFFLES CONVENTION CENTRE

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AT RAFFLES CONVENTION CENTRE ON 25 JANUARY 2010

Mr Ong Keng Yong, Director of the Institute of Policy Studies,

Distinguished guests, ladies and gentlemen.

I am very happy to join you this morning for the 11th edition of the Singapore Perspectives 2010.

Singapore has just gone through two very difficult years. The problems became acute in 2008 when the US and European financial systems nearly collapsed, dragging down real economies worldwide. We were also dragged down faster than others because we are more open and globalized, and by January 2009, our economy was facing a drastic plunge. Therefore, over the last one year, we have focused on dealing with the downturn, working with employers and unions to save jobs, supporting viable companies with needed financing, and helping Singaporeans to pull through the crisis. The year turned out much better than we had feared. This was partly because globally the worst scenarios which we had imagined fortunately did not materialize, and also because the measures we took - the Resilience Package - were effective and helped to keep companies afloat, workers in jobs and to keep confidence up and morale high. Now we are moving ahead again with cautious confidence.

Even while we tackle the crisis, we kept our eyes on the long term and took steps to prepare for our future. We acted to restructure the economy, to address our population shortfalls, and to update our political system. These are not one-off projects, but major continuing priorities and we will continue to work on them this year and for some time to come. In some cases, I think, for a long time to come.

First, we need to restructure our economy to maximize our growth, our potential and what we are able to deliver. We need to do this to respond to the changed external environment and also to adapt to our domestic physical limits. The global crisis has made this a more urgent task. Worldwide, growth will remain weak for several years to come. The US consumers, in particular, will be less free spending. Therefore, we will have to work harder to expand our markets in the developed countries. In Asia, economies are continuing to transform themselves, not just China and India, but in ASEAN too. Countries like Vietnam which I visited last week are moving ahead strongly.

This creates a window of opportunity for us because we are ahead of the other Asian countries. We can service them, help them to make the transformation and development and growth and, in the process, move ahead and benefit our economy and transform ourselves. But Asia's rise also means growing competition because as the other countries enhance their capabilities, they will narrow the gap with the developed countries and increasingly be able to do what we have been doing.

Domestically, we face increasing constraints, especially in land and labour. Our total land area is finite and very little is lying fallow. Our own population is only growing slowly and we cannot indefinitely expand our workforce by importing more and more foreign workers from abroad. Hence, we have to adjust our growth strategy and find new ways to continue to do well. We have to shift to growing qualitatively, not just by expansion but by upgrading. We have to extract maximum value from the resources that we have. Every piece of land must be put to optimum use. Activities which are no longer competitive or productive have to be phased out gradually and replaced by activities which are more productive and competitive. We have to upgrade our workers, both our own as well as the foreign workers who are here, enhance the quality of our workforce and what we are able to deliver individually and as a team.

Taking it in terms of overall macro numbers, we will have to improve our productivity performance sharply, as Senior Minister Goh Chok Tong noted yesterday. Over the last decade or so, productivity growth has averaged only 1 per cent a year. We have to double this and improve it to 2 to 3 per cent per year and this will take a major effort. But we have to do it so that progressively and inexorably, our economy will be transformed. Then, provided we can raise our productivity, even if our total GDP grows more slowly, our workers can become more productive and our income per capita can continue to rise. Becoming more productive is not just a matter of working harder but also means restructuring, change and flux; uncertainties, experiments and discontinuities. Businesses need to innovate relentlessly, phasing out unproductive activities and shifting into more fruitful areas. They have to be bold and seek out opportunities in distant shores. They have to be ready for fresh competition - new players able to do better and always threatening to steal their cheese. Workers cannot expect to be carried along by a generally rising tide. They too have to be psychologically prepared to adapt, to change and to make the effort to upgrade themselves, not just once but continually throughout their working lives.

Singapore can and must continue to do better year by year to take advantage of the abundant opportunities in Asia. Our standing is high, our capabilities are growing. People want to do business in Singapore and look towards Singapore for ideas, for models and for opportunities to link up and cooperate. We must take full advantage of this strong position. But overall, we must acknowledge that we are now more developed economically than we were 10 or 15 years ago and we can no longer grow as rapidly as before. Over the last decade, from 1999 to 2009, our growth averaged 5 per cent per year, which is a remarkable achievement considering the level at which we already were ten years ago. Looking ahead, there are two balancing factors. One, we aim to have higher productivity growth but two, realistically our workforce will expand more slowly. If we take these two factors together, I think it will be very difficult for us to average 5 per cent growth over the next 10 years. There will be good years when we should go faster and there will be other years which are tough, when we will do more poorly. But overall, if you take it over the next decade, I think 5 per cent will be a stretch. So MTI is now studying what the realistic long-term growth target will be. Our economic strategies and policies have to facilitate this transition to enable the economy to perform to its limits and help Singaporeans to thrive in the new world. The Economic Strategies Committee chaired by the Finance Minister Tharman Shanmugaratnam will publish its recommendations next week and the government will respond in the Budget three weeks after that.

One key to sustaining economic growth is to rejuvenate our population and to develop and attract talent. The best economic policy will not bring us growth if our population starts to

decline or if we are denuded of talent and lacked the ability and drive to solve problems, create opportunities or lead Singapore, whether it is in government, in business or in society.

Unfortunately, our birth rates despite our best efforts are not improving. Last year, there were fewer births than in 2008 despite all the measures we implemented back in 2008. Our statisticians tell me there were 170 fewer births. It may not seem to be a lot less but it is a lot less than it ought to be in terms of total numbers and it means that our TFR would have gone down further. Maybe it was because of the economic troubles but even then, this is a grave trend which if unchecked will cause us to have a shrinking population, and not just a rapidly ageing population. We have to encourage Singaporeans to start families through parenthood benefits and change in attitudes, and other incentives and social adjustments. But we must also top up our population and talent pool with immigrants in a measured and calibrated way. Immigration has become a more sensitive issue for Singaporeans. It's a policy which is ultimately designed to benefit Singaporeans but some citizens perceive newcomers as unwelcome extra competition for jobs, for school places, for housing. The Government understands these sentiments. We are distinguishing more clearly between citizens and permanent residents in subsidies, in healthcare and school places. We are also moderating the inflow so that it is not too fast for us to absorb. We do not want to shift the tenor of our society, we do not want to dilute the Singapore spirit and we must not make Singaporeans feel that our home has become different or alien. These adjustments should take the edge off the unhappiness and make it easier for citizens to accept the inflow but immigration is going to be an issue which will be with us for some time because we have no alternative to topping up our population numbers. Therefore, we have to examine dispassionately, understand the realities, the forces, the imperatives we face and manage the issue and our programmes pragmatically.

We also have to work at integration. New citizens have to make the effort to adjust to our social norms and Singaporeans too must open their hearts and accommodate the new arrivals. Then, gradually we can become one people, just as our forefathers have started out as immigrants from different lands and gradually unite as fellow citizens. While dealing with new stresses, we must not forget our society's old fault lines. Our various races and religions enjoy good relations here in Singapore but it is only the result of constant tending and vigilance. Race and religion remain very sensitive issues in Southeast Asia. You just look at the current tensions in Malaysia over the use of the word 'Allah' by non-Muslims and the attacks on churches and suraus over the last few months. We must not let our guard down or allow these external problems to affect our own precious and unique harmony in Singapore.

Underpinning our ability to tackle all these challenges, whether it is economic, demographic or any other challenges, is a good political system - a system which will ensure a stable and capable government, good leadership and an engaged electorate.

Our political system cannot be static or frozen but must evolve with the times. We are making significant changes to the election system. We will have more non-constituency MPs, more Single Member Constituencies, smaller Group Representation Constituencies and we are going to affirm the Nominated MP system, so that it will automatically happen and be part of our Parliament. We are also introducing a "Cooling-Off" day on the eve of polling day at the end of each election campaign. These changes will ensure a more diverse set of voices in Parliament and enable us to reflect in our political system a wider range of views in society. It will encourage Singaporeans to engage in national issues. I hope they will foster rational debate, wise collective decisions and enable the government to act decisively once a consensus is reached. A weak government or divisive national politics would be disastrous for

Singapore. We are making these changes in good time. There is a mini general election fever in town. The general election is due some time within the next two years. But it is not imminent. We are putting the legislation in place now so that everything will be ready when the elections are called.

Having a sound political system is essential but in itself it is not enough to produce political stability or good government. That still depends on having the right people in-charge - an able, committed team coming forward to lead the country and take responsibility for our future. Therefore, a key task for my predecessors and me has always been to identify promising people to form the next team. We have been making good progress on this. We do not have a complete team lined up in the Cabinet or in government yet, but I am confident that by the next general election, the PAP will field a team which will contain the core of the next generation leadership who can, in time, take over from me and my present colleagues and assure the country's future for the next 10 to 20 years. And this leadership renewal will be a major issue in the next general election. Finding the next team who can make sure that Singapore can endure and can give investors as well as Singaporeans the confidence that what is here will be here a generation from now after the present faces have faded from the scene is the most important issue in the next general election, whenever that will be.

So we have to make fundamental adjustments in these three areas – in our economic policies, in our demographics and in our political system. We will move carefully, each time taking small steps but cumulatively making major changes. We will take a progressive approach but despite this, change will be unsettling for Singaporeans. Economic change means greater risk of people losing jobs and having to retrain for new jobs. Demographic change means difficulties of accommodating new immigrants. Political changes pose challenges of maintaining cohesion and unity while airing more diverse views and interests. Navigating these problems is not just a matter of getting the policies right but of communication and persuasion, being sensitive to Singaporeans' concerns and yet not losing the bigger picture. In other words, the human aspects of leadership in government. We have to bring people along to understand what is happening and why we have to reach a consensus on the way forward. We have to strengthen our bonds with each challenge that we meet and tackle together.

It is critical for us to have regular, continual conversations on these issues – airing different views, discussing and analyzing problems, examining alternative approaches and solutions. The Institute of Policy Studies provides such a forum for this purpose. That is why it was created in the first place. The Institute organizes public discussions on issues of the day. It aims to encourage a critical group, the intelligentsia - people who follow policies, who have an interest, and we hope, have informed views about matters. Informed debate among opinion leaders provides the essential backdrop to policy-making. The Government does not work in a vacuum. It works in a context of a society, of a tone in the society, of opinions, of views; what do people feel, what do they consider to be possible to do and beyond that possibility, what can the government help them to achieve, not just what they imagine they can do but something more; something beyond the expectations, but yet it is something which is realistic and which we can do together.

Informed debate, therefore, sets a tone of the national discourse, helps to shape the broad understanding of issues among the population and thus enables the society to consider more options and to make more informed choices. The IPS is independent of the government but it is useful for the public sector to cooperate with the IPS and to be forthcoming with information and access, for example, when IPS holds public forums or conducts policy research. This way, the

government can consult more widely and develop better thought-out policies, and IPS will be more effective in fostering informed discussion of policies outside government. I know there are quite a number of people from various government departments who are attending this session today. So I am putting in this little plug on behalf of IPS. I hope they will take note.

Today's conference theme "Home.Heart.Horizon." is directly relevant to the economic, population and political issues which I discussed.

Start with Horizon. Whatever the difficulties of globalization, we have got to connect ourselves to the world and reach out to the distant horizon, and in fact, all over the world. We must do this in order to make a living for ourselves, let alone to prosper. But we also must do this in order to attract talent and to develop our own talent by exposing them to the wide world.

Heart: We have to feel that we are one people, that despite differences in race, language and religion and whether we are new or old citizens, we are Singaporeans together. We compete against one another but we must also empathize with and support each other, especially our less fortunate compatriots. We can do this through philanthropy, volunteerism, corporate social responsibility and daily acts of kindness. When a project like Ren Ci Community Hospital raises funds and puts on a charity show, which they did last night, they were able to raise \$7 million from Singaporeans, through donations and phone-ins, big and small. That is a sign that we care, that we are prepared to chip in and we will work together not just to make this a better place but to make this a humane, warm place where we feel we are Singaporeans together as one big family. We have to understand that we are in this together and despite whatever differences we may have, we will push forward in the same direction. Therefore, economic policy is not just a matter of attaining the highest possible GDP growth number but also ensuring the quality of growth and enabling all Singaporeans to benefit from the country's progress. Population policy is also not just a matter of numbers, having the right total size of the population but also of managing the social impact of the inflows and building bonds between different groups of Singaporeans.

We must make this our home. Singaporeans must feel that they are part of this nation's progress, that we belong here, that we all have a stake in Singapore, and that our future is here. Then we will commit ourselves to Singapore and work together to make it even better for our children's generation. This idea of home applies even to overseas Singaporeans. There are more than 180,000 who work, study or live overseas at any time. We hope that wherever you are, whatever you are doing, Singapore will forever be in your hearts and you will always remember that Singapore is here waiting for you.

I have always followed carefully the reports of IPS' flagship annual conference. I do not always agree with the views expressed. I should say I do not always disagree with the criticisms made. But I have always found the discussions valuable because they give a sense of how informed observers, especially those outside the government, view government policies and economic, social and political developments in Singapore and around us. I am confident that this conference will be equally fruitful and successful. I hope IPS will continue to do this over the years and in this way, help Singapore to make the right choices and build better lives for all. Thank you very much.