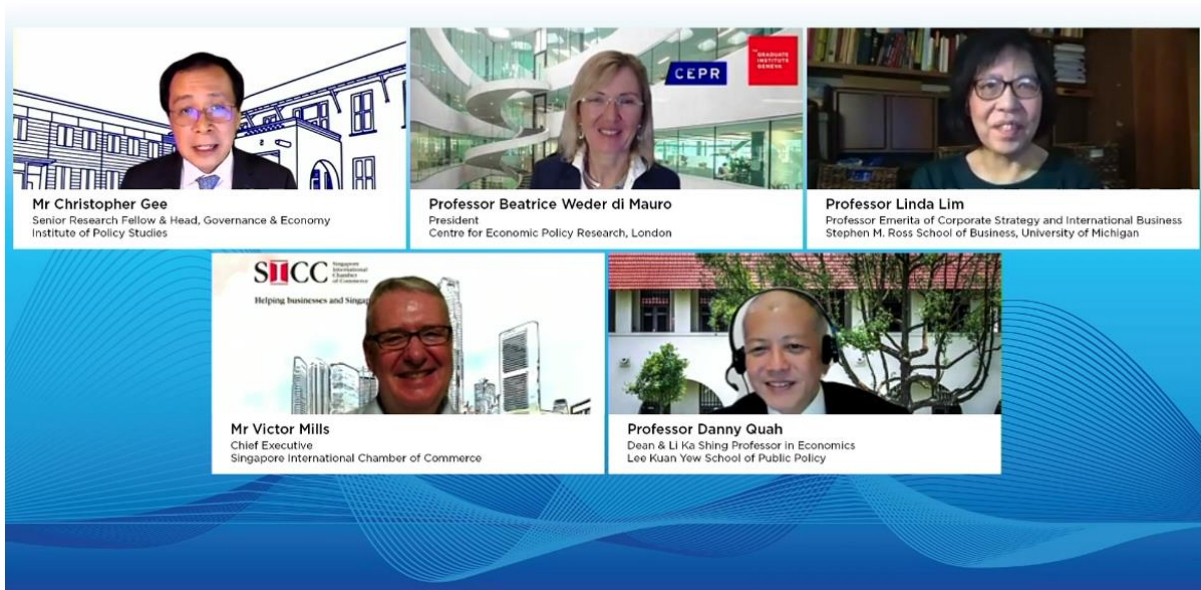


## Singapore Perspectives Conference 2021: Reset Global Economy

By Kunal PAWA

SINGAPORE  
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*Caption for photo: Mr Christopher Gee opening the third forum on Global Economy.*

The third forum of Singapore Perspectives 2021 focused on the [“Global Economy”](#) and how the changes in the global economic landscape would affect Singapore. Speakers included Professor Beatrice Weder Di Mauro, president of Centre of Economic Policy Research, and Professor Linda Lim, Professor Emerita at the University of Michigan. The session was moderated by Mr Christopher Gee, and discussants included Mr Victor Mills, President of the Singapore International Chamber of Commerce and Professor Danny Quah, Dean of the Lee Kuan Yew School of Public Policy.

### Opening Remarks by Professor Weder Di Mauro

Professor Weder Di Mauro commenced the session by providing her views on the global macroeconomic outlook post the pandemic and delineated her views into the legacy of the pandemic and the longer-term macroeconomic outlook.

For the legacy of the pandemic, the professor observed certain themes that had emerged in the global economy. She believed that the pandemic was creating a poorer and more unequal world than before. The IMF world economic outlook indicated negative growth in almost all countries except for a select few in Asia that have handled the pandemic well. She also noted

that the World Bank had estimated a further 100–150 million people will be living in poverty as a result of the pandemic. The inequality is not felt only across countries but also within countries. In the US, she noted that Black or Hispanic women were twice as likely to have lost their jobs as compared with white males. Unlike the Global Financial Crisis, this economic crisis has caused unemployment across all ages, but the less educated populations within economies have suffered more.

For the short-term macroeconomic outlook, Professor Weder Di Mauro noted that there had been a difference in the ability of countries to replace incomes during this crisis. Most advanced countries had been able to sustain incomes either through aggressive fiscal or monetary policies. As a result, countries were coming out of this economic crisis with debt levels which had not been seen before historically. Central banks' purchases of government-issued securities averaged about 50–70 per cent in advanced economies, and even some emerging economies had taken such quantitative easing measures. This has led to an increase in household savings rates, in the advanced economies at least. Therefore, in the short run, there will be a catch-up in terms of consumption and willingness to spend — and the IMF predicts there to be growth between 4–6 per cent globally.

The longer-term macroeconomic outlook was of more concern, she added. First, while digitalisation would have some positive economic impact in the long term, there was no clarity on how much productivity would have been impacted by the crisis. Second, there was a clear trend of deglobalisation since the pandemic, of which the economic consequences had not been determined yet either. Regional integration helped Europe through the crisis but it was uncertain whether that would help other regions in the world. Lastly, since the growth of economies going forward would not be as strong, there were likely to be distributional issues for countries to manage.

Professor Weder di Mauro felt that the challenges for Singapore specifically were how Singapore could maintain its global hub status and remain a safe haven for capital and human capital, while also managing the inevitable demands of more protectionism. Singapore would also have to continue to balance policies according to the familiar trade-off of efficiency and equality. Lastly, Singapore's status as a bridging hub between the West and the East might need to be reconfigured in light of a changing geopolitical landscape.

### **Opening Remarks by Professor Linda Lim**

Professor Lim's presentation focus was on how long-term structural trends that existed before the pandemic would impact Singapore, and how Singapore should respond to these trends. She identified five trends: technological advances, deglobalisation, climate change mitigation, geopolitical tensions, and domestic inequality.

Technological advances such as artificial intelligence (AI) and digitalisation were likely to impact both services and manufacturing and decrease dependence on labour. Deglobalisation would reduce growth in business travel, tourism and global supply chains. Climate change mitigation results in a decrease in energy intensive industries and less tolerance for free riders on the environment. Geopolitical tensions between the US and China would increase the pressure on third countries to make a choice. Lastly, domestic inequality means that there is more scrutiny paid to ESG (environmental, sustainability and government) criteria as opposed to strictly financial criteria. These trends would have varying effects on Singapore.

Technological advances would help Singapore's ageing population by reducing the dependence on foreign labour. However, Singapore also faces challenges to its tourism, oil and gas, marine and aviation sectors due to deglobalisation and climate change mitigation. Despite these challenges, opportunities remained for Singapore in the development of carbon tax markets and ageing healthcare.

Professor Lim believed that the geopolitical landscape would necessitate a change in Singapore's established model of being a global business and investment hub. First, she noted that globally, government support for industry through tax breaks or investment incentives were either being objected to, for political reasons, or emulated by strategic policies. If global competition emerges for industrial investment, countries with larger economies and stronger fiscal positions will likely win. Singapore therefore needs to devise more ways to spur private sector growth, especially in sectors which are dominated by MNCs and GLCs, she said. Second, she argued that Singapore should reconfigure its macroeconomic focus to be less dependent on manufacturing and global supply chains and shift its attention towards being a service provider to the geographically closer region of Southeast Asia.

In summary, Professor Lim was keen to promote a greater focus towards developing Singapore's domestic capabilities and comparative advantages given the change in geopolitical considerations and technological advances. These pose a significant threat to Singapore's status as a hub, and Singapore should instead try to develop more indigenous capabilities to reduce its dependence on the manufacturing sector, foreign labour and state and monopoly power. She noted however, that what will emerge from the pandemic will be the outcomes of the participation of the private sector and market forces based on foundations built by the state and society.

### **Discussion and Q&A Session**

Following the introductory presentations by the two speakers, Mr Victor Mills and Professor Danny Quah shared their responses. Mr Mills primarily agreed with Professor Lim's views about Singapore needing to change its model in response to the pandemic. Given its modern, advanced status, Singapore need not rely as much on FDI anymore and instead should look to spur SME growth and focus on the ASEAN growth story. Second, Mr Mills felt that an opportunity was available for Singapore to develop itself as a climate change mitigation hub since Singapore had the necessary human capital and financing abilities. Professor Quah instead focused more on the global macroeconomic situation and seemed to stress the impact the pandemic had both on governance and economic recovery. He felt also that the pandemic had only exacerbated fundamentals of the global economy that were already under threat such as the rules-based international system, globalisation and inclusive growth for all pockets of societies. In response Professor Quah suggested Singapore strive not for maximum efficiency but instead build on resilience. He also suggested that Singapore should encourage gains in productivity in high-performing sectors that raise demand for labour, and not productivity gains that displace workers.

The panellists then debated on both the global situation and Singapore's status as a hub moving forward. They first discussed rising global debt in response to the pandemic. Both Professor Weder Di Mauro and Professor Quah noted that global debt levels were concerning, but that the more immediate concern was to make sure economies continued the recovery

process and that governments provided the necessary fiscal support for this. Professor Lim concurred that since interest rates were low, governments, including Singapore's, had the opportunity to borrow so as to finance public expenditures, and that the risk of inflation was low. The panellists also discussed the strong performance of equity markets since the pandemic, which they said was a result of abundant liquidity chasing good investments which were in limited supply. Because equity markets had responded strongly to the pandemic, inequalities between those who have capital and those that do not have been exacerbated. The US would likely respond with higher taxes on capital gains, and it was discussed whether Singapore should start taxing capital gains as well.

The debate on Singapore's status as a regional and global hub also sparked lively debate among the panellists. Professor Weder Di Mauro felt that Singapore, like Switzerland, had established itself as a safe haven hub for investment, and that this economic comparative advantage should continue. Professor Lim was more critical, noting that it was not clear if Singapore should be a safe haven for capital given the increase in global capital flows of illegal activities and money laundering. She contested that Singapore should not focus on being a "connecting hub" but an "origin hub". She believed this could be done by spurring domestic private sector growth and having a recalibrated focus to ASEAN. Professor Quah instead argued that if Singapore were to continue to be a hub, a key question would be what services the world and the region would demand, for which Singapore could be a hub. He suggested the idea of Singapore being a regional disease control hub that spread Singapore's knowledge and human capital in this domain to the region. Mr Mills noted that Singapore must continue to be an open economy promoting foreign talent and labour, and that the opportunity for Singapore to take the lead in ASEAN for climate change mitigation should not be overlooked.

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