

## 9 things to watch in 2009

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Welcome 2009, please be kind. It is with a wary step that Singapore crosses into the new year, mindful of the troubles the past year has brought.

Many expect economic news to dominate again this year, most of it bad. Jobs will be lost, the economy will shrink although some welcome relief will come from the Budget.

But they are hopeful 2009 will not end as it began - with a host of economic woes. Certainly not all news in 2009 will be bad.

There are notable milestones: the 50th year of the PAP in power as well as the first time the Apec summit will be held here. Incoming US President Barack Obama will probably make his first visit to Singapore for the meeting.

It will also be an interesting year for those involved in issues that came to the fore last year - activism, green policy and new media - as they try to build on gains made.

Jeremy Au Yong, Zakir Hussein and Clarissa Oon highlight nine issues to watch this year.

### **1 Budget: Take less, give more?**

SAVING jobs will be a top priority on Jan 22 when the Budget rolls out a slew of measures to help businesses.

The question on most minds now is: What will they be?

Already, a series of aid measures have been introduced.

One major move is a \$600 million training package that seeks to coax bosses to retrain, not retrench, workers.

It gives higher subsidies for course fees and pays up to 90 per cent of a worker's salary during training.

Another is the Government's pledge of \$2.3 billion to help businesses gain access to credit.

Economists foresee the Budget taking a two-pronged approach: collect less, and give out more.

They expect cuts in everything, from foreign worker levy to corporate tax to business fees and rent.

Economist Leong Wai Ho, of investment bank Barclays Capital, calls it 'pain relief'.

In a report last month, his firm said it expected a four-point cut in the top tier of personal income tax and a reduction in the rent of HDB commercial properties and JTC industrial parks.

DBS Bank economist Irvin Seah feels there is good reason for a temporary cut in Central Provident Fund contributions, not for employers, but employees.

'It doesn't cost the Government anything and in the short term could put money in people's pockets,' he says.

He proposes a cut of between 2 and 5 per cent, and that it be voluntary so that those who can afford it can continue to contribute fully to their retirement savings.

Perhaps the most radical plan comes from CIMB-GK economist Song Seng Wun who pitched the idea of a year-long tax holiday.

'We are in an unprecedented crisis which calls for unprecedented generosity,' he says.

In the 'give more' column, Barclays Capital suggests rebates for conservancy charges and utility bills as well as higher Workfare payments to low-income workers.

It also called for what it describes as a 'recession offset' payout, similar to the money given to ease the two-point hike in the goods and services tax to 7 per cent in 2007.

## **2 Economy and employment**

IN EVERY economic downturn since 1985, employers' Central Provident Fund (CPF) contribution rates were cut.

Economists interviewed are convinced it could happen again.

While most feel a cut will not happen in the Budget, they believe a prolonged period of high unemployment may force the Government's hand.

Says Mr Leong Wai Ho of Barclays Capital: 'They could roll it back to 10 per cent if unemployment were to stay high.'

In the 1997 Asian Financial Crisis, the employers' CPF rate was slashed from 20 per cent to 10 per cent. It was raised gradually to 16 per cent before being cut to 13 per cent in 2003 because of the Sars crisis. It now stands at 14.5 per cent.

Still, there is hope the contribution rate may survive the economic bloodbath. Last week, former labour chief Lim Boon Heng said such a move would be a last resort.

'We have learnt from past recessions that the use of the CPF cut is a blunt instrument,' he had said, pointing to the variable parts of salaries that can be cut if there was a need to save cost.

Talk of such a cut began when the National Wages Council announced it would reconvene this month. The new wage guidelines will be watched closely for any mention of CPF rate reductions.

CPF cut or not, economists paint a rather bleak picture of the economy.

They expect the resident unemployment rate - which excludes foreigners - to climb to around 5 per cent in the second quarter of this year.

While lower than the peak of 6.2 per cent in the third quarter of 2003 during the Sars crisis, experts said the difference this time is that it will last longer.

As for growth, economists are more pessimistic than the Government.

Official figures released yesterday put this year's forecast of gross domestic product growth at between minus 2 per cent and 1 per cent.

Economists have their range totally in negative territory, predicting the economy to shrink by between 1 and 5 per cent.

Said CIMB-GK economist Song Seng Wun: 'Some think it may recover towards the end of the year but, if I had a choice, I would sleep for two years and then wake up.'

### **3 Engaging new leaders**

ALTHOUGH new leaders will be at the helm in several countries, Singapore's ties with its key partners are expected to remain steady.

This is because the top leaders in the Asean nations are aware of the need to work together, especially amid the current economic turmoil.

Also, some will be preoccupied with domestic upheavals, some aggravated by the economic crisis.

Malaysia's Deputy Prime Minister Najib Razak, who will take the top seat in March, will likely continue Prime Minister Abdullah Badawi's policy of friendly links with Singapore, a departure from the testy ties of the Mahathir administration. However, Datuk Seri Najib will have to deal with a louder opposition, which dealt a big blow to the government at last year's polls, by winning five out of 13 states.

In Thailand, new Prime Minister Abhisit Vejjajiva (left) looks set to be kept busy with the political impasse at home that saw him become the fourth PM since Thaksin Shinawatra was ousted by a military coup in Sept 2006.

In Indonesia, parliamentary elections are due in April, and President Susilo Bambang Yudhoyono is standing for re-election in July.

Dr Yudhoyono's prospects of being re-elected are good, at least for now, said Mr Yang Razali Kassim, of the S. Rajaratnam School of International Studies.

'Singapore in 2009 and even 2010 will not enjoy the predictability of the 1980s and 1990s when it comes to leaderships in the region,' he told Insight.

'Thankfully, Singapore's relations with Indonesia, Malaysia and Thailand have been shaped by their common destinies within Asean,' he added.

The regional grouping is committed to forming a common market by 2015, with all 10 members aware of the need to band together in the face of economic competition from China and India.

But the two Asian giants will be kept busy at home this year. India is holding elections by May while China faces more social unrest as its economy slows and unemployment rises.

Singapore's strong relations with the United States, its third-largest trading partner and largest investor, can expect to grow as President-elect Barack Obama (above) takes office this month.

While Asean will not top America's agenda, analysts expect it to figure prominently as Mr Obama spent part of his youth in Indonesia.

#### **4 Governing in time of crisis**

THE People's Action Party (PAP) enters its 50th year in power facing the same demon it did at the beginning: How to lift the country out of a devastating economic crisis.

When it assumed power in June 1959, unemployment was at 13 per cent, with some 50,000 youth entering the job market each year.

Foreign investment and infrastructure development were pivotal in helping to solve the problem, and since then, unemployment in Singapore has remained at the single-digit level.

Even in the current crisis, the worst in 60 years, the jobless rate is unlikely to reach even half of 13 per cent, say economists. The worst they expect is 5 per cent, still below the peaks of 8.7 per cent in 1965-1966 and 6.5 per cent in 1986.

The PAP's staying power can be credited for helping to successfully transform Singapore from a Third World economy into a First World nation.

Today, more than 90 per cent of Singaporeans live in public housing, a far cry from just 9 per cent in 1959.

And in these five decades, Singapore's gross domestic product (GDP) has swelled from \$2 billion to \$243 billion, while per capita income has soared from \$1,330 a year to \$51,119.

This track record, analysts say, has helped the PAP convince the majority of Singaporeans that it is the only party capable of leading the country.

'Whether from a lack of an alternative or not, people still have an implicit trust in the PAP,' says Dr Terence Chong of the Institute of Southeast Asian Studies.

But the party itself is not sitting on its laurels, aware that the road ahead will not be easy.

Two months ago, its youth wing acknowledged the challenge as it set its sights on staying in power for another 50 years.

One of its chief challenges is staying relevant to Singaporeans, especially the young who want a multi-party system.

Dr Chong feels the party will also have to rethink its relationship with citizens as they become more mobile and willing to see the world as their oyster.

However, for this year, one factor favours the PAP: a sedate opposition landscape. The Workers' Party appears to be lying low. There is talk of a merger between the Singapore People's Party and the National Solidarity Party, but both are relatively weak.

The future of the Reform Party, launched by Mr J.B. Jeyaretnam, who died last year, is up in the air.

As for the Singapore Democratic Party, it faces the prospect of being wound up if it cannot pay the damages it and two of its leaders, Dr Chee Soon Juan and Ms Chee Siok Chin, owe Prime Minister Lee Hsien Loong and Minister Mentor Lee Kuan Yew for defamation.

## 5 Civil society activism

THE recent spike in citizen activism over issues such as the rights of retail investors and university media censorship is likely to continue this year as the troubled economy bites into jobs and incomes.

Civil society has taken on a new vibrancy with the relaxing of rules last September to allow outdoor demonstrations at the Speakers' Corner in Hong Lim Park, barring protests on race and religion.

Political analyst Eugene Tan of the Singapore Management University (SMU) believes it is a 'necessary and inevitable liberalisation' in a 'maturing society', because the public needs more ways 'to vent its concerns, worries, complaints and anger on a variety of issues' within the confines of the law.

A wide range of groups have taken advantage of the Speakers' Corner to press their cases, and Mr Tan expects to see more advocacy and activism this year as cost-of-living issues become more pressing.

Another key development last year for civil society was that a group of outspoken bloggers got organised, shed their cloaks of anonymity, and campaigned at the Corner against transport fare hikes.

Looking ahead, it is hard to tell whether amateur-run sociopolitical websites like The Online Citizen can go semi-professional and sustain their offline advocacy, says Institute of Policy Studies media researcher Tan Tarn How.

As Singaporeans become more assertive, the larger question is how 'the fairly compliant and conservative political culture here in Singapore will develop', says SMU's Mr Eugene Tan.

With the Government keeping a close watch on the growing activism, this year could see civil society at a crossroads in terms of how far it pushes the envelope - and how far the authorities let it.

Given that protests and demonstrations are still seen by many ordinary Singaporeans as a threat to peace and stability, Mr Eugene Tan thinks an 'element of fear' still exists on the part of both demonstrators - who fear breaking the rules - and their audience.

This psyche, he adds, 'will take a while to change, to evolve and to be recalibrated'.

## 6 Things to Green about

THE financial crisis could either be a roadblock - or a window of opportunity - for the green movement this year.

Environmentalists here tend to be optimistic that cost-cutting will not hurt but help the green agenda as more Singaporeans will be motivated to save energy and reuse materials.

The Government is expected to roll out new climate-friendly initiatives in a sustainable development blueprint over the next few months. Incentives for companies and households to be more energy efficient and step up waste recycling are likely to be on the list.

Analysts also envisage more research and development into alternative forms of energy and energy-efficient processes.

Mr Andrew Tan, director of the Centre for Liveable Cities, says that while the current drop in fuel prices has made such projects less urgent, 'there are opportunities for us to develop some niche expertise, for example, in solar energy (and) highly efficient industrial processes, that have wider relevance and would also attract new investments and create new jobs'.

Sustainable development, which is gaining ground globally, is about growing the economy in a way that reduces carbon emissions, thereby mitigating the harmful effects of global warming.

The government blueprint will cut across different ministries and has taken in feedback from members of the public.

Judging from the 1,300 suggestions the inter-ministerial committee received online and more than 400 participants who showed up at public forums on the subject, Singaporeans have quite a high level of environmental awareness.

Singapore Environmental Council president Howard Shaw thinks this awareness needs to be backed up this year by schemes to help them to be more green.

These could include household recycling networks, public education on how to sort rubbish for recycling and working with restaurants to collect food scraps for recycling into compost and biofuels.

Just over half of all waste is currently recycled. The Government is trying to encourage more people to recycle, although Mr Shaw thinks this could be hampered by the recent slump in scrap prices which has seen waste collectors charging more to collect recyclables.

## **7 E-engagement in new media**

IF 2008 saw socio-political bloggers getting off their cyber couch and moving into real-world activism, 2009 could see the Government going in the opposite direction and engaging netizens online.

**Institute of Policy Studies media researcher Tan Tarn How contrasts the first trend, which he terms 'r-engagement' or 'real-world engagement', with the ruling People's Action Party's long-awaited push into e-engagement.**

A government-appointed panel on new media issues has urged the Government to participate in discussions on the blogosphere, and it is expected to craft a strategy for dealing with new media this year.

Given the Internet's reach and the proliferation of anti-establishment voices online, analysts say the issue for the Government is no longer 'why engage with interactive new technologies?', but 'how?'

A few government agencies have already taken steps in that direction. The feedback unit Reach, for instance, has engaged citizens online through its Web portal and in June, set up a group on the social networking site, Facebook.

E-engagement is something new to many governments, and not just in Singapore. Going ahead, one challenge here is that it opens up the authorities to greater scrutiny, and they will have to adapt to a bottom-up mode of consultation, instead of usually being able to set the terms of discussion.

Another challenge, says Mr Tan, is 'the overwhelming anti-government sentiment in cyberspace. As far as political communication is concerned, how do you engage someone so blatantly antagonistic towards you?'

The Government will have to devote considerable time and resources to e-engagement for it to work, he adds. Blogs and websites must be updated all the time, 'otherwise it just disappears into a forgotten corner of cyberspace'.

This year, the Government is also expected to liberalise a wide-ranging ban on party political films, which has become difficult to enforce because of online video-sharing services.

However, analysts say it is likely to lift the ban only partially or in stages, to keep out films that distort facts and deliberately mislead the public.

## **8 Apec summit, trade focus**

SINGAPORE'S overriding concern, as it takes over the chair of the Asia-Pacific Economic Cooperation (Apec) forum this year, will be to keep world trade barriers down and speed up economic integration.

History shows economic slumps tend to arouse protectionist sentiments, with countries rushing to introduce import tariffs and quotas.

Such policies - though politically popular - have been shown to prolong economic crises, not shorten them, and they are especially bad news for export-oriented nations like Singapore.

The battle against these tendencies started in earnest at the Apec summit in Peru last November with a joint statement supporting free trade.

As chairman of the 20-year-old grouping, which represents 60 per cent of the world economy and half of its trade, Singapore will put the issue at the top of the agenda.

Ambassador Michael Tay, director of the Apec secretariat this year, said Singapore will 'ensure Apec pursues the goal of sustained economic growth through stimulus packages for trade that resist protectionism and accelerate economic integration in the Asia-Pacific region'.

On top of that, Mr Teng Theng Dar, chairman of the Apec Business Advisory Council, said business leaders will talk about how governments can help small and medium-sized enterprises and how companies can help rebuild the economy after the downturn.

Nearly 100 meetings will be held here throughout the year but much of the heavyweight discussions will be held during the Apec summit in November.

Then, the heads of state of member countries, including incoming United States President Barack Obama and China's President Hu Jintao will converge on Singapore.

Security will no doubt be tight, at least on par with the International Monetary Fund and World Bank meetings that were held here in 2006. Like before, retailers around the meeting venue can expect a slow week.

## **9 Better times come 2010**

THREE forces will fuel the economic turnaround in 2010, say economists and businessmen interviewed.

One is the huge stimulus packages that governments of major economies are introducing.

The injection of billions of dollars will have a rippling effect beyond their shores as it creates demand for goods from all over, including Singapore.

In the United States, President-elect Barack Obama plans to spend about US\$775 billion (S\$1.1 trillion) on improving infrastructure and creating jobs.

The 27-member European Union is expected to spend &yen200 billion (S\$401 billion) on infrastructure development while China will boost domestic demand with a 4 trillion yuan (S\$851 billion) package to ease credit and invest in infrastructure.

Two, the mound of jobs to be created in Singapore with the opening of the two integrated resorts (IRs) - up to 60,000 new jobs, directly and indirectly, are in the pipeline.

Marina Bay Sands is expected to open in stages from the end of this year, and Resorts World at Sentosa, from next year.

Singapore can also expect a mini-tourism boom in August when it hosts the world's first Youth Olympic Games, drawing 3,200 foreign athletes and 800 officials. Also, hundreds of television crew members will be here to beam the two-week-long games around the world while thousands of visitors are expected to flood Singapore's shores to witness spectacular athletic performances by youth aged between 14 and 18.

Like last year's first Formula One night race here, the new Youth Olympics will bring big bucks and bolster Singapore's reputation as an attractive destination. But the IRs and Youth Olympics may not be the magic bullet for growth.

Nanyang Technological University economist Tan Khee Giap foresees 2010's growth remaining low at 2 to 3 per cent. However, the economy will pick up speed in 2011, when Associate Professor Tan expects growth to be 5 per cent.

Three, no crisis since the Great Depression of the 1930s has lasted beyond two years.

Says president of the Association of Small and Medium Enterprises Lawrence Leow: 'In past slowdowns, recovery typically happened within a year. This crisis really started in late 2007, when problems with US housing loans emerged.

'So I am quite optimistic that by 2010, things will be looking upwards.'