

Singapore's post-Covid-19 economy should strike a balance between performance and resilience, say panelists at IPS forum

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In a post-Covid-19 world, Singapore should strike a balance between performance and resilience, even as it becomes less dependent on foreign workers against the backdrop of rapid advances in technology and digitalisation.

Several leading economists offered this view on Tuesday (Jan 12) at the Singapore Perspectives conference - an annual flagship event organised the Institute of Policy Studies (IPS) think-tank.

"Let's now drive, not for maximum efficiency, but for the right mix between performance and resilience. Don't get caught out again by the next pandemic," said Professor Danny Quah, dean of the Lee Kuan Yew School of Public Policy, which IPS is a part of.

He urged companies to resist looking for technological advancements leading to gains in productivity that would shed workers. Instead, high-performing sectors could raise demand for labour that would draw workers out of low productivity industries, increase per capita income and generate upward social mobility.

On the panel were University of Michigan professor emerita Linda Lim, Singapore International Chamber of Commerce chief executive Victor Mills, London's Centre for Economic Policy Research president Beatrice Weder di Mauro, and moderator Christopher Gee, Institute of Policy Studies' head of governance and economy.

Prof Lim noted that Singapore's dependence on foreign skills and labour would be reduced by automation, artificial intelligence (AI) and digitalisation, including in sectors like construction and retail.

The rise of remote work was both a boon and a bane, she said.

"It enables someone in Singapore to work from home for an employer and produce for a market located anywhere in the world, but it also puts someone in Singapore in competition with people with similar skills elsewhere," said Prof Lim.

"So instead of customers employing Indian or Chinese foreign talent in Singapore, they can be employed in their lower-cost home countries at lower salaries."

Technology thus enables the bypassing of hubs in a "hub and spoke" business model, she added.

And while there would still be a role for regional hubs - given constraints around timezone, regulatory and tax factors - Singapore's aspirations to becoming a financial or digital service hub might need to be reconfigured.

This is especially pertinent if geopolitical affairs come into play, said Prof Lim, citing hypothetical scenarios of the US forbidding American tech companies from investing in foreign locations which might employ Chinese nationals; and China retaliating by demanding compensation from companies which comply with US sanctions.

"The permutations are endless... and third countries could easily be caught between the extraterritorial legal claims of both powers." said Prof Lim.

"You cannot be a hub if the "spoke" countries refuse to have anything to do with each other."

She called on Singapore to instead develop an ecosystem with unique indigenous capabilities - one able to produce independent rather than state-linked or state-dependent enterprises, and focused on regional rather than global markets.

"Singapore will need to devise ways to encourage and allow the emergence of a strong local private sector, including by ceding some areas of activity now dominated by GLCs (government-linked companies)," said Prof Lim.

She noted that founding prime minister Lee Kuan Yew himself had bemoaned, back in 2002, the lack of domestic private entrepreneurship in Singapore.

SICC's Mr Mills added that former deputy prime minister and economic architect of Singapore Dr Goh Keng Swee had said the same as far back as the 1970s.

"Back when we became an independent republic in the mid-1960s, we needed foreign direct investment from predominantly Western countries, in order to kickstart our economy and to start providing the jobs which would in turn provide the quality of life for citizens and residents," said Mr Mills. "That Western orientation is no longer relevant."

With Asean now key, he said, the emphasis needs to shift to building up the ability to partner, collaborate, innovate and take greater advantage of growth in the region.