Tapping reserves: Many back move

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They see it as a step in the right direction as unlocked money is for two special measures to help save jobs

As the dark economic clouds loom ever larger, maritime executive Scott Hwang lives in fear.

'I'm feeling poor and I fear losing my job,' he said.

So the 29-year-old favours the unprecedented move by the Government to dip into past reserves to help foot the bill for this year's Budget.

'If this money can trickle down to help protect our jobs, I think that will be good,' he said. 'Things seem very bad as they are. If this is not the time to use it, then when will it be time?'

His reaction contrasts sharply with that of retired private-school teacher Sarah Yeo, 61, who feels emotional about the slaughter of what has long been considered one of the country's sacred cows.

'I've always heard that we cannot spend past reserves, but now we can,' she said. 'This is money I helped to contribute to and build up over my whole life. I hope they make the right decision in doing so now, otherwise all of that goes to waste.'

Indeed, she said she expects the Government to produce a report card later to show how unlocking the reserves has helped to save jobs.

Mr Hwang and Madam Yeo represent the opposing views that came up in a straw poll of 20 people on the street who were asked how they felt about the historic move to use Singapore's reserves.

The majority - 14 - expressed approval. Four were negative about it while the remaining two were indifferent.

A separate group of five experts - tax analysts, economists and MPs - was also interviewed, and the reaction was unanimous and positive.

In his Budget statement last Thursday, Finance Minister Tharman Shanmugaratnam announced that the Government had gone to the President for approval to draw $4.9 billion from Singapore's past reserves.

President SR Nathan, Mr Tharman disclosed, had given his in-principle approval.

The unlocked money is to help fund two temporary 'extraordinary' measures in what the minister described as Singapore's worst recession. Official forecasts had tipped the economy to contract between 2 and 5 per cent this year.

The two initiatives are the $4.5 billion Jobs Credit Scheme to subsidise employers' wage bills to encourage them to keep workers on the payroll, and the $5.8 billion Special Risk-Sharing Initiative to help companies get access to credit.

This is the second time the Government had gone to President Nathan. In October last year, it sought his approval for a $150 billion guarantee on all bank deposits here to be backed by past reserves. But the probability of an actual payout is low, Mr Tharman said last Thursday.

The decision to unlock the reserves is a landmark move, not least for how the Government has always maintained that the funds - estimated by analysts to range from $300 billion to $600 billion - are inviolable and to be left untouched unless absolutely necessary.

During the Asian financial crisis in 1998, for instance, when the economy grew by just 1.5 per cent, then-Prime Minister Goh Chok Tong had dismissed suggestions that the reserves be drawn on.

He said then: 'Once foolishly spent, they will be most difficult to build up again. As your trustee responsible for these reserves, I am honour-bound to protect them. We must not fritter them away, whatever the pressures we face.'

To most, the day to use them has come.

Institute of Policy Studies academic Gillian Koh said: 'Citizens have been told that reserves have been built up for a rainy day.

'Given the pre-Budget prognostications by government officials that we probably face the worst recession in our modern history - a 'thunderstorm' - it is good they see the Government willing to unlock the reserves for the two special measures.'

At the same time, she added, it is 'extremely wise' to tap the reserves for one-off measures rather than ongoing expenditure 'so that we are not locked in to a scheme that draws down on the reserves ad infinitum with no end-date'.

Security supervisor Lai Shiu Ming Senior, 49, is one who knows many who are struggling to make ends meet.

He said: 'If they lose their jobs, it'll be even worse for them. So hopefully, this $4.9 billion will do something for them.'

For others, some questions remain.

Mr E. Lim, 35, a civil servant, said he understands and agrees with the need to use the reserves.

'But at the same time, there could be a misperception that the reserves are being tapped to make up for investment losses by government-linked agencies,' he said, referring to how the Government of Singapore Investment Corporation and Temasek Holdings have pumped more than US$23billion into global banks like Citigroup, which have since dropped in value.

'So this needs to be addressed,' he said.

Among those who disagreed with the move altogether is civil servant Noel Kaw, 30.

He questions if today's situation is 'serious enough' to warrant it.

'Is there a possibility that this becomes a slippery slope? This crisis has become the benchmark. When you have a similar crisis next time, the first thing you do is turn to the reserves,' he said.

And then there are those for whom the entire episode proves something: the fabled reserves do exist.

Mr Tommy Tan, 28, a oil and gas sales executive, said with a laugh: 'My first thought was, 'Wah, this shows we actually have reserves.'

'We've heard of it, but never seen it. So it's like something in fairyland.'

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Additional reporting by Zakir Hussain, Aaron Low, Jeremy Au Yong and Goh Chin Lian

HE'S FOR IT

'These are really hard times. If you don't make use of the reserves now, I don't know when is a hard time. The reserves don't just go directly to people, but more importantly to saving jobs, especially for the lower-income and lower middle- income who will be hard hit if they are retrenched.' MR DAVID CHNG, 59, a businessman

SHE'S NOT

'$4.9 billion is a lot of money. I don't quite feel the pinch of the recession yet so I don't agree now is the right time. I understand it's pre-emptive, but is there a need to draw so much when there are still current surpluses from last year? We should at least wait till things get worse.' MS CHARLENE SNG, 21, university undergraduate