

IPS Workshop

26 May 2010

On
Review of the
Economic Strategies Committee (ESC):
Singapore Strategy Going Forward

Ballroom 3, Orchard Hotel



Economic Strategies Committee

Key Recommendations

Presentation to IPS Workshop
26 May 2010



Where we stand

- **Singapore emerged well from last decade**
 - Averaged 5% growth per annum
 - Real per capita household income rose by 20% over the decade
 - More diversified and globalised economy
- **New challenges and opportunities in the next decade**
 - Marked shift in demand and opportunities towards Asia
 - Recent growth of foreign workforce unsustainable
 - Medium-to-long term constraints of land and energy must shape choices from here on

Our Goal

High-skilled People, Innovative Economy

- Skills, innovation and productivity as the basis for growth
- Also the basis for inclusive growth: broad-based increase in incomes for our citizens

Distinctive Global City

- More open and diverse than most
- Best place to grow and reach out to a rising Asia
- Home with outstanding quality of life

Three Broad Priorities

Boost skills in every job

- Higher productivity to sustain higher wages and inclusive growth
- Companies to innovate, improve efficiency and create better jobs
- Upskill our people at all levels
- Avoid increasing foreign worker dependence

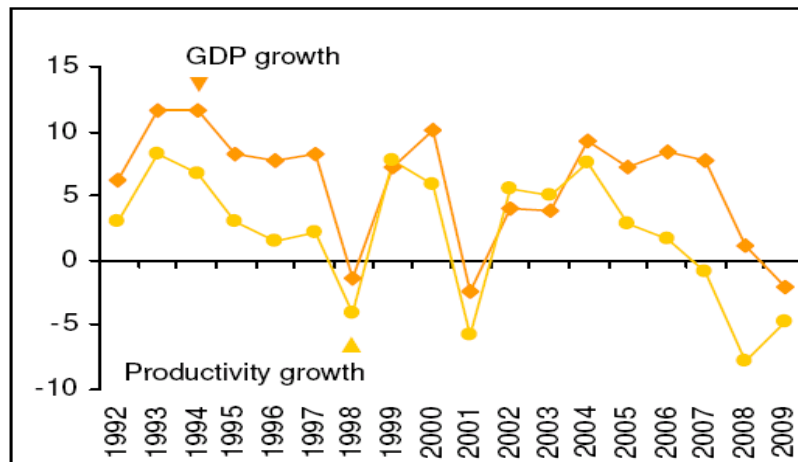
Deepen corporate capabilities to seize opportunities in Asia

- Grow a diverse and resilient ecosystem of companies
- Commercialisation of R&D as a key source of competitiveness
- Develop market-based facility to spur bank financing of internationalisation

Make Singapore a distinctive global city and endearing home

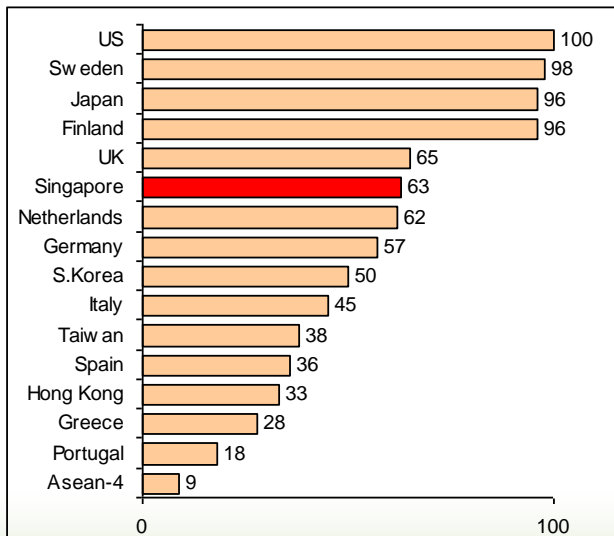
- Deepen expertise across the board
- Keep attracting top foreign talent
- Make Singapore a distinctive global city
- Provide the highest quality of life in Asia

Why productivity?

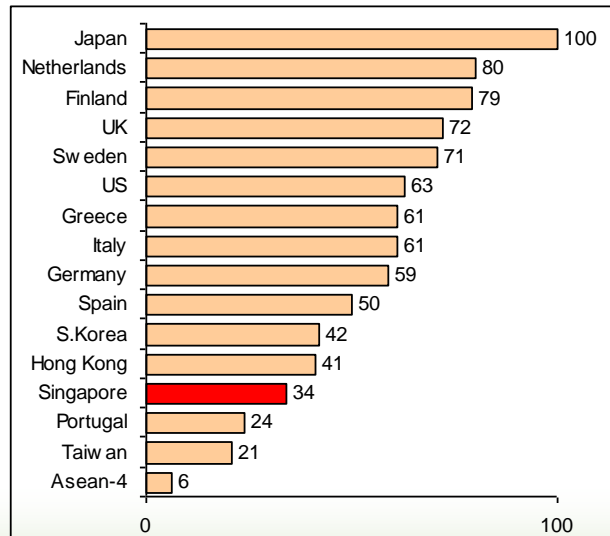


Even though productivity is highly cyclical in nature and moves with economic fluctuations, productivity growth over last decade is 0.8%

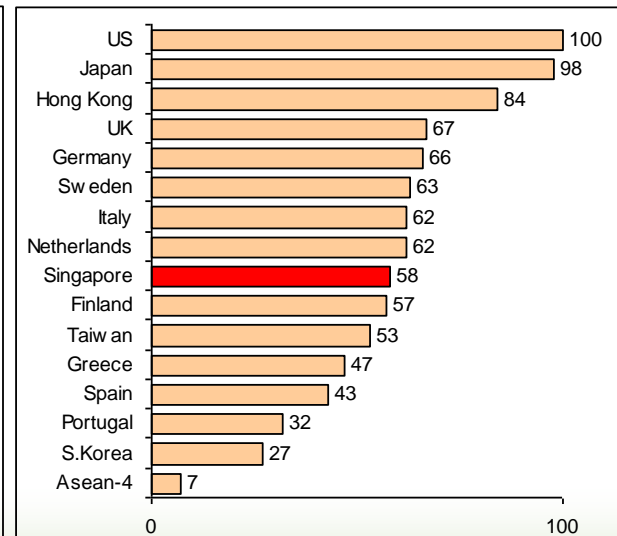
Singapore's productivity level is 50-60% that of the US or Japan



Manufacturing



Construction



Services

Key Recommendations



Shift to Productivity Based Growth

- **Managing foreign workforce growth on a long-term basis** through phasing in higher foreign worker levies
- **Upskilling workers at all levels** through enhanced Continuing Education and Training (CET) system (and to have 240,000 workers undertaking CET by 2015), and increased incentives for low-wage workers to upgrade their skills
- **Encourage enterprise innovation through a National Productivity Fund and other fiscal incentives** to support enterprise and industry initiatives for productivity improvements, such as investments in technology and training
- **High-level national council to oversee and drive efforts to boost productivity and expand CET** to ensure national level coordination of government agencies and close collaboration between public and private sectors.

Anchoring Singapore as a Global-Asia Hub

- **A globally competitive manufacturing sector at 20-25% of the economy**, with emphasis on knowledge-intensive manufacturing, growing cross-disciplinary clusters, and manufacturing-related services
- **A trusted financial and modern services hub** – through deepening existing capabilities in sectors such as ICT, financial, logistics services, and new areas such as consumer-centric intelligence.
- **A leading consumer business centre** – where businesses gather consumer insights and test-bed products and services meant for a range of markets across Asia.
- **Location of choice to test-bed “future ready” urban solutions** that can be exported to Asia and the world.

Build a Vibrant and Diverse Corporate Ecosystem

- **Develop a deeper base of globally competitive Singapore enterprises (to grow 1,000 Singapore enterprises with revenues over \$100million by 2020)**
 - Catalysing financing for internationalisation through an Export-Import (EXIM) Bank-like financial institution
 - Seeding growth capital for smaller growth-oriented enterprises,
 - Empowering Trade Associations and Chambers (TACs) to drive capability development and overseas expansion
- **Establish Singapore as premier location in Asia for MNCs, global mid-sized companies, and Asian enterprises seeking to internationalise,** through developing deeper market knowledge and expertise with a pan-Asian focus and facilitating their quick start-up and expansion
- **Support alliances between MNCs and local SMEs** to co-innovate, build track records, and internationalise.

Pervasive Innovation and Strengthening Commercialisation of R&D

- **Increase Singapore's total expenditure on R&D to 3.5% of GDP by 2015** through growing private sector R&D, while sustaining public sector R&D and the development of R&D talent
- **Strengthen emphasis on innovation and commercialisation of R&D** through innovation platforms (e.g. consortia-type cooperation between businesses in the same sector) and developing talent in downstream commercialisation e.g. patent agents
- **Emphasise design-driven innovation** through incentives for local enterprises to develop design capabilities (in areas such as product and industrial design) and through provisions for affordable spaces for industry collaboration

Smart Energy Economy

- **Improve energy security and resilience with through diversification of energy sources** – explore new sources such as coal and electricity import and study the feasibility of nuclear energy
- **Increase energy efficiency** – invest in critical economy-wide energy infrastructure such as the Intelligent Energy Systems (IES) to allow consumers to make informed choices about their energy consumption, and enhancing incentives to support low-carbon vehicle technologies
- **Price energy to reflect its total cost** - take into account various externalities and constraints, such as energy security and environmental sustainability

Enhance Land Productivity to Secure Future Growth

- **Increase land productivity** – intensification of industrial land; progressive rejuvenation of mature industrial estates; study greater flexibility in land zoning
- **Enhance choice and diversity of business locations** to support a range of enterprise needs - regional headquarter locations, new industrial estates, and affordable spaces for start-up incubators and SMEs.
- **Invest ahead to create new underground spaces** – developing an underground master plan, and creating basement spaces in conjunction with new underground infrastructural projects
- **Build a new, vibrant waterfront city, size comparable to Marina Bay** by rejuvenating existing port land at Tanjong Pagar and Pulau Brani after the expiration of the port lease at City Terminal in 2027

Distinctive Global City, Endearing Home

- **Attract and nurture a diverse pool of talent and develop thought and practice leadership,**
 - Providing talent here with opportunities to develop new peaks of excellence in diverse fields such as arts, design, sports science ;
 - Grooming corporate and professional leaders through top post-graduate institutions and attracting top corporate universities ;
 - Adopting a talent-centric approach to attracting top quality people

Distinctive Global City, Endearing Home

- **Make Singapore a leading cultural capital**
 - Provide affordable spaces and incentives for the development of creative arts and design clusters e.g. in Gilman Village,
 - Rejuvenate the Singapore Civic District as a premier arts and culture destination by strengthening programming, marketing, and linkages between cultural institutions in the district
- **Provide the best quality of life in Asia**
 - Host more pinnacle international events;
 - Developing economically and socially vibrant districts through active place management e.g. in Bras Basah, Orchard Road;
 - Creating highly-liveable precincts through new urban planning solutions and cutting-edge sustainable development strategies

Shift to Productivity-Based Growth

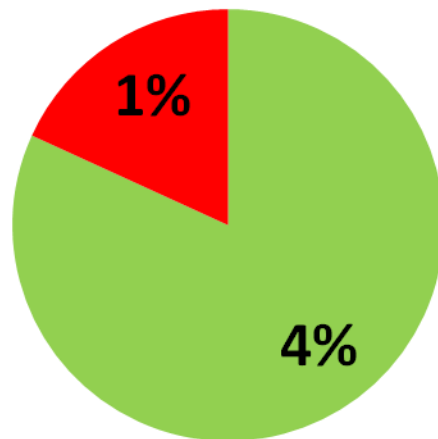
Grow productivity by 2 to 3% per annum

- Higher than the average of 1% over the last decade

Enable our GDP to grow by 3 to 5% per annum

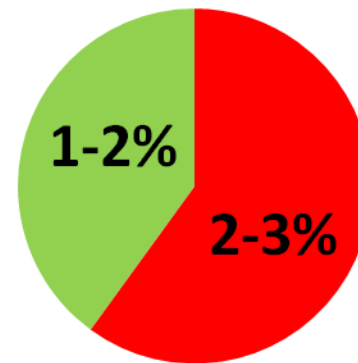
- 60% of GDP growth from productivity vs. 20% in the last decade

1999 - 2009p GDP Growth of 5%



■ Labour Force Growth

Future GDP Growth of 3-5%



■ Productivity Growth

Enabling Role of Government

- **Invest ahead in the fundamentals for future growth**
 - Education, skills, research and infrastructure
- **Rely on market forces to restructure and grow**
 - Government cannot prescribe which companies and sectors should survive and grow
 - Provide right price signals for reallocation of resources through market forces

Enabling Role of Government

- **Ensure inclusive growth**
 - Encourage self-reliance and enterprise
 - Provide strong support for upskilling of LWWs
 - Use progressive taxes and transfers to help the poor, but keep overall taxes low

Summary

- Major push for skills, innovation and productivity
 - Basis for future economic growth
 - And for broad-based rise in incomes
- Develop capabilities to take advantage of rising Asia
- A distinctive global city
 - Open to talent and growing expertise in diverse areas
 - Amongst the most liveable in the world, and an endearing home for citizens

Key Budget Highlights: Productivity

- National
 - National Productivity and Continuing Education Council chaired by DPM Teo backed by National Productivity Fund
- People
 - CET expansion
 - Workfare Training Scheme
 - Enhancement to Workfare Income Supplement
- Enterprise
 - Productivity and Innovation Credit
- Foreign Worker Levy
- Support Business Restructuring
- Land Productivity
 - Land Intensification Allowance

Key Budget Highlights: GCCs

- Building capabilities through partnerships
 - Partnerships for Capability Transformation
 - Business Associations as Growth Champions
 - Nurturing Business Leaders
- R+D
 - NRF Top-up
 - Public-Private Co-innovation partnership
- Improve access to growth finance
 - Tax deduction for Angel investors scheme
 - Co-investment fund (1.5bn)
 - Cross border financing
- Global Business hub
- Others