

**IPS Workshop on  
Review of the Economic Strategies Committee (ESC): Singapore Strategy Going  
Forward**

**26 May 2010**

The IPS Workshop on the “Review of Economic Strategies Committee (ESC): Singapore Strategy Going Forward” was convened at Orchard Hotel on the morning of 26 May 2010. A total of 35 participants attended the event which was moderated by the Mr Manu Bhaskaran, Adjunct Senior Research Fellow, IPS.



There were a total of six presentations, each providing different perspectives from the viewpoints of the government (by Dr Cheong Wei Yang, Deputy Director, Industry Division, Ministry of Trade & Industry), the industry sector (by Mr Victor Tay, Chief Operating Officer, Singapore Business Federation (SBF)), a think-tank (Mr Yeoh Lam Keong and Mr Manu Bhaskaran, Economic Society of Singapore), and the corporate experience (Mr James Koh, Deputy Chairman and Managing Director, Koda Ltd).

Recognising that the recent economic downturn was the worst to hit Singapore since independence in 1965, and taking into consideration the Singapore government's own admission to the necessity for changes to the country's economic growth strategies, the six presenters shared their insights on the challenges facing Singapore's economic direction. The need to be less export-centric, and the need for more emphasis to be placed on developing the services sector, whilst exploring other possible economic development avenues, was also discussed.

Speakers recalled the basis and intention of the Economies Strategies Committee (ESC), which was formed and convened primarily to examine Singapore's growth direction. However, one key question remained: “What now after the ESC?”. For Singapore, a small city state which is heavily export-driven, would there be changes to its economic development strategies? Should there be a change of mindset in reference to the mentality of “growth at all cost”? There were also concerns over the aftermath of climate change talks and post-Copenhagen issues on how the Singapore Government could provide sufficient assistance to enhance business capacity, especially in the case of small-and-medium enterprises (SMEs), in tackling global warming matters.



Dr Cheong kicked off the Workshop. As an ESC central secretariat member, he coordinated work across subcommittees and ensured coherence across a wide range of topics examined. He shared insights into the economic and development challenges facing Singapore, which brought about the creation of the ESC. The priorities and goals the ESC set out to achieve was centered on problems related to highly-skilled people, the creation of an innovative economy, and ensuring Singapore's development into a distinctive global city.

The second speaker, Mr Tay, noted that the central theme of the seven ESC recommendations were essentially to underscore the message of "Productivity and Innovation; Quality and Inclusive Growth". Speaking from his experience at SBF, Mr Tay also shared with participants outcomes of a survey, which was based on the recommendations proposed

by the ESC. Mr Tay pointed out that Chemicals had now surpassed Electronics as the highest manufacturing output (based on 2007 Singapore Economy GDP). He also evaluated the ESC recommendations, based on two perspectives:

- (i) Government policy tools need to be tailored to suit sector competitiveness drivers, ranging from setting basic ground rules (e.g. in local and business services); building enablers (e.g. in the manufacturing sector); tilt the playing field (e.g. R&D-intensive manufacturing; and Resource-intensive industries) to being the principal actor (e.g. Infrastructure), and
- (ii) GDP Growth requires Job and Productivity Growth. He pointed out that in high-income countries, services generated more than 100% of net job growth, and productivity grew across the board. Services also constitutes 75% of the economy in developed countries; more than half in most middle-income countries, and 87% of GDP growth in high-income countries in the last decade.

Finally, Mr Tay examined how the ESC's recommendations would impact a typical SME operation in Singapore.

Continuing the discussion on SMEs, Mr James Koh took the floor. He was an ESC member, as well as the President of the Singapore Furniture Industries Council (SFIC). He gave a detailed comparison between the problems faced by SMEs in Singapore and also examined how the recommendations of ESC can address these issues. For instance, how would the setting up of an EXIM Bank help SMEs resolve banking and credit challenges. He also provided a critical assessment of how the ESC implications and recommendations would impact an SME like Koda.



Mr Manu continued with the reiteration that the current global and regional economic environments had acted as a catalyst for the Singapore government to go beyond just tweaking the old growth model. He felt that there is a need to move away from focusing so much on high GDP growth and look at a broader set of policy goals. Policies would need to take heed of the greater need to build inherent capacity, strengthen economic resilience, and accommodate the new structure of competitiveness. The question he posed was whether such changes suggested that there were areas which the ESC did not cover but was something which could be looked into in future. Mr Manu ended his presentation with comments on social safety nets. He felt that the best social safety net was the economy's capacity to provide jobs or self employment opportunities with few barriers to entry. Currently, such opportunities have been whittled down because of other changes in the economy. For instance, hawkers and other small businesses face much more intense competition because of liberalised inflow of foreign workers.



In his presentation, Mr Yeoh pointed out that with Singapore's economy moving towards that of an innovation-driven, knowledge-intensive-based economy, more machines, and less labour/human resources would be utilised. This call for an effective social safety net system, suggests the introduction of a basic inflation indexed retirement grant at age 65-70, which is larger for older cohorts, and would supplement age progressive subsidies for "small ticket" medical and transport costs. This would also extend the "big ticket" Medishield to be applicable beyond the age of 80, and the expansion of housing monetisation options, among others.

There were a number of questions posed during the Question and Answer session. Two notable ones were on:

- How Singapore should strengthen its role in the region to enhance regional connectivity, taking into account that the entire express/courier industry value in ASEAN is about US\$1.46billion, of which S\$500million is in Singapore (1/3 to the regional industry value). This is crucial because many MNCs operations are using Singapore as a launch-pad to the region.
- How the role of the Trade Associations and Chambers (TACs) can be reinforced to support companies in investing and going regional.

There was also a special presentation by Dr Gillian Koh, Senior Research Fellow, IPS. Noting that the Workshop discussed issues such as inclusive growth, and sentiments towards foreigners, Dr Koh took the opportunity to highlight some of the notable outcomes from the recently completed IPS Perception on Public Policy survey, or POPS, which also touched on the same issues.

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*Notes taken by Lee Yoong Yoong, IPS Research Fellow.*

