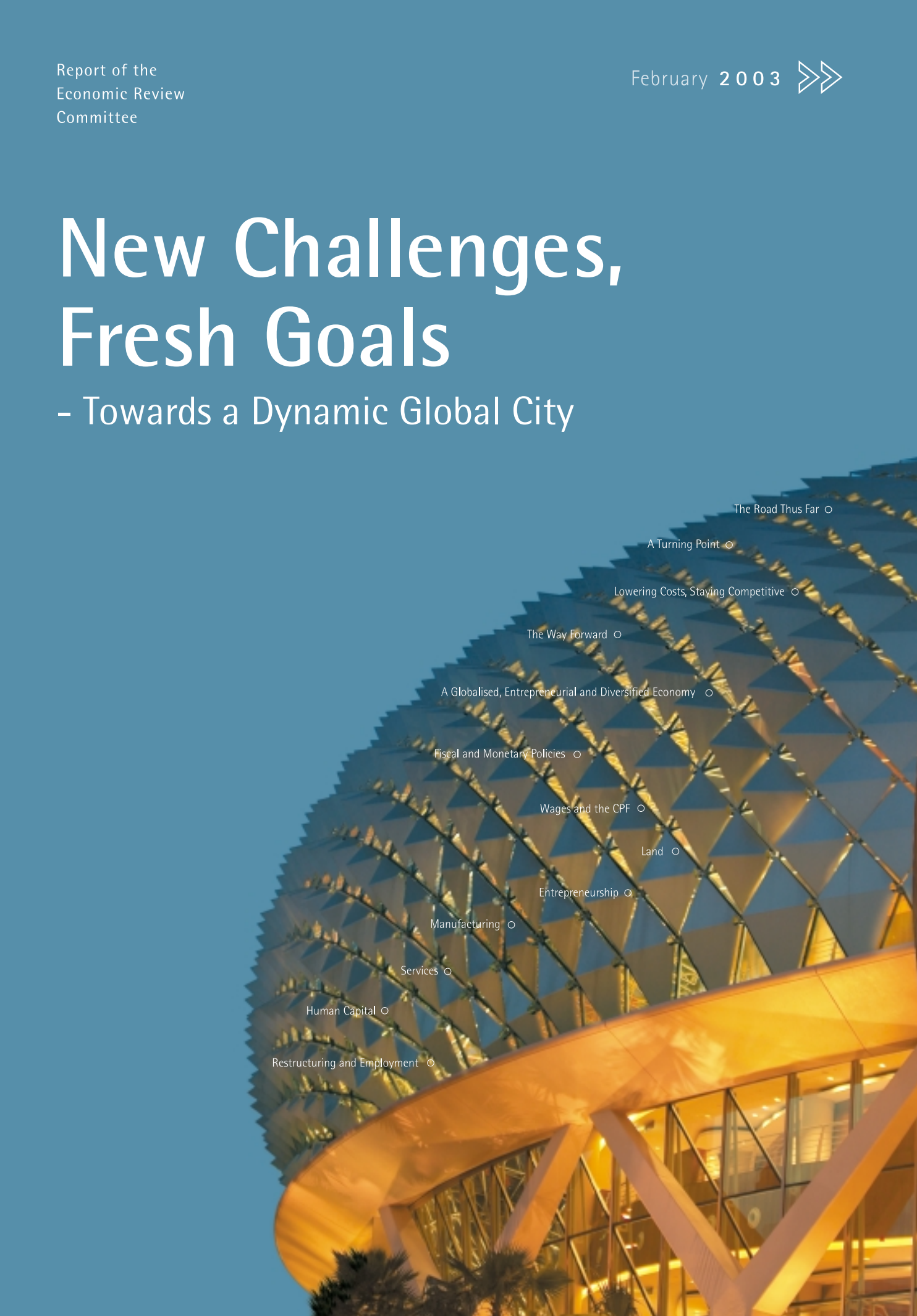


New Challenges, Fresh Goals

– Towards a Dynamic Global City

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- The Road Thus Far ○
 - A Turning Point ○
 - Lowering Costs, Staying Competitive ○
 - The Way Forward ○
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 - Services ○
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 - Restructuring and Employment ○

Report of the Economic Review Committee

New Challenges, Fresh Goals

- Towards a Dynamic Global City

Ministry of Trade and Industry

Republic of Singapore

February 2003

Published February 2003

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SINGAPORE

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4 February 2003

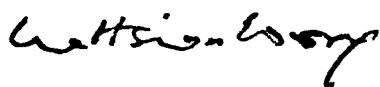
Prime Minister

1. You set up the Economic Review Committee (ERC) in December 2001 to comprehensively review current policies and propose appropriate strategies to promote the further growth and development of the Singapore economy. Members were drawn from the private sector, the public sector, and academia.
2. The ERC has completed its work, and now submits its final Report. The issues we have reviewed cover policies related to taxation, wages, the CPF and land; promoting entrepreneurship and internationalisation of Singapore companies; upgrading and growing the manufacturing sector; developing the services sector; growing domestic enterprises; developing our human capital; and helping Singaporeans to respond to changes and take advantage of new opportunities.
3. The ERC set up seven Sub-Committees and numerous working groups to study these issues in detail. We solicited and benefited from contributions from a wide spectrum of participants: employers and workers; public agencies and private companies; Singaporeans and expatriates living here as well as abroad. In total, more than 1,000 people contributed their energies and ideas to produce this report.
4. Singapore is going through a major economic transition, possibly the most far reaching since Independence in 1965. The economy is maturing. The environment has changed radically. Globalisation, the emergence of China and the problems in Southeast Asia all affect us. In addition, we have not yet fully recovered from the 2001 recession.
5. Singapore's progress in the next phase depends on how we react to these new challenges. It calls for more than incremental improvements and extra effort. We need to make major, fundamental changes, in strategies as well as mindsets. These will be unsettling and sometimes painful. But the more directly we acknowledge and tackle the problems, the sooner we will overcome them.

6. The ERC has thus proposed strategies to remake Singapore into a globalised knowledge economy, together with more immediate measures to maintain Singapore's cost competitiveness in services and manufacturing.

7. We are glad that the Government has already accepted and implemented several earlier ERC recommendations, including restructuring the tax regime and the CPF system. We trust that our further recommendations in this Report will better position the economy for the new phase. Their execution will have to be carefully worked out, taking into account prevailing economic conditions. But by moving decisively to restructure and renew the Singapore economy, we maximise our chances in the changed environment. This is how we have overcome many difficult challenges since Independence, both as a people and a Government.

8. We wish to record our gratitude to all those who have contributed time and effort to make this Report possible. We also thank you for entrusting us with this significant task of helping to chart the future of the economy, and laying the basis for Singapore's continued growth and prosperity.



MR LEE HSIEN LOONG (CHAIRMAN)



DR TONY TAN



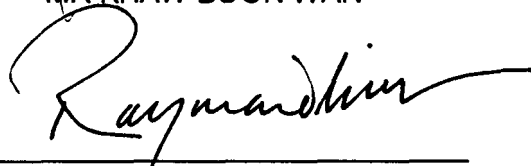
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MR KHAW BOON WAN



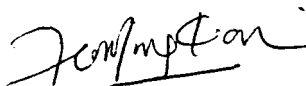
MR THARMAN SHANMUGARATNAM



MR RAYMOND LIM



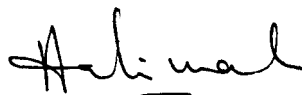
DR NG ENG HEN



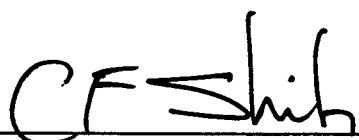
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MR HENG CHEE HOW



MDM HALIMAH YACOB



PROF SHIH CHOON FONG



MR STEPHEN LEE



DR LOO CHOON YONG



PROF ARNOUD DE MEYER



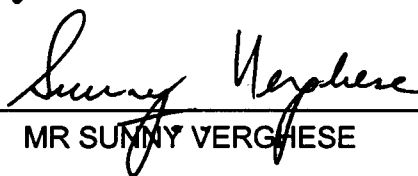
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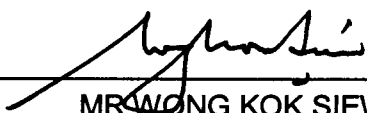
MR JOHAN VAN SPLUNTER



MR ROBERT STEIN



MR SUNNY VERGHESE



MR WONG KOK SIEW



MR WONG NGIT LIONG

*Prime Minister
Singapore*

5 February 2003

Mr Lee Hsien Loong
Deputy Prime Minister and Minister for Finance,
Chairman, Economic Review Committee

Dear *Hsien Loong*,

Refer to your letter of 4 February 2003 submitting the Report of the Economic Review Committee.

The Committee's recommendations set a clear direction for Singapore's economy over the next 15 years, while addressing the current downturn. This roadmap is essential as we are now at another decisive crossroads in our development.

As the Report recommends, Singapore has to be a globalised, entrepreneurial and diversified economy, to offer our people a better life. The Government will mobilise Singaporeans to work together to restructure our economy thus, and make Singapore one of the best cities in the world to work and live in.

Many Singaporeans and friends of Singapore have contributed to the Committee's work. They are keen to build on what we have, and clearly have the ideas to do so. This bodes well for our future. A more participatory society generates livelier and more creative thinking and activity, and a stronger sense of belonging.

I have sent the Report to the Cabinet. The Government will give its response in the Budget Speech.

Finally, let me place on record the sincere thanks of the Government to you, the members of the Committee, the sub-committees and the working groups for your hard work. You have all played a key role in this milestone of Singapore's economic development.

Yours *Sincerely,*

A handwritten signature in black ink, appearing to read 'Goh Chok Tong', written in a cursive style.

GOH CHOK TONG

Preface



The Economic Review Committee (ERC), set up in December 2001, has completed its work. This Report outlines its key recommendations to remake Singapore into:

- a. a *globalised* economy where Singapore is the key node in the global network, linked to all the major economies;
- b. a *creative and entrepreneurial* nation willing to take risks to create fresh businesses and blaze new paths to success; and
- c. a *diversified* economy powered by the twin engines of manufacturing and services, where vibrant Singapore companies complement MNCs, and new startups co-exist with traditional businesses exploiting new and innovative ideas.

The Report is divided into two parts. Part I summarises the ERC's recommendations, both longer-term strategies and more immediate proposals, against the backdrop of our external environment and domestic circumstances. Part II provides more details of the proposals for changes in policies on taxation, wages and CPF, land, creating a more entrepreneurial Singapore, growing manufacturing and services, developing our human capital and helping Singaporeans adapt to all these changes.

The Committee has endeavoured to distill all the contributions it received in the course of its work into a coherent overall plan of action. This main Report could not include all the numerous ideas thrown up during the deliberations. These have been set out in more detail in the reports of the seven Sub-Committees. The Committee recommends that the relevant government agencies study those remaining proposals further, and implement those found to be feasible and worthwhile.

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Credits