

# **THE STRATEGIC ECONOMIC PLAN: TOWARDS A DEVELOPED NATION**

## **EXECUTIVE SUMMARY**

### **THE VISION FOR SINGAPORE: A DEVELOPED COUNTRY IN THE FIRST LEAGUE**

The Strategic Economic Plan sets the strategies and programmes for Singapore to realise a vision - to attain the status and characteristics of a first league developed country within the next 30 to 40 years.

Key facets of the Vision are economic dynamism, a high quality of life, a strong national identity and the configuration of a global city.

Strategies for the long term, which will also produce some benefits for Singapore in the short to medium term, are directed at maintaining and extending the nation's inter-national competitiveness. Eight strategic thrusts have been identified to help propel Singapore's economic and social progress to that of a developed country. They are:

- Enhancing Human Resources
- Promoting National Teamwork
- Becoming Internationally Oriented
- Creating a Conducive Climate for Innovation
- Developing Manufacturing and Service Clusters
- Spearheading Economic Redevelopment
- Maintaining International Competitiveness
- Reducing Vulnerability

When change is so rapid and dynamic as in the international economic environment, the very planning process is fraught with risks. During the course of this study, world shattering events in the Gulf and the Soviet Union occurred. No one could have predicted these events - or the degree of impact they would have on the world economy now and in the future.

Singapore cannot hope to predict such dramatic events at home or abroad. But through scenarios and contingency plans it would take into account various contributory factors, and weigh up other more gradual shifts and trends in international politics, trade and economics.

With clear lessons from the recent past of the world economy and Singapore's experience, the writing on the wall for the 90s and beyond is that economic strategies for Singapore need to evolve from the past single dimensional type to a multi-dimensional one in order to remain viable in an increasingly complex environment.

In this context, the Economic Planning Committee was charged with the task of preparing a Strategic Economic Plan for Singapore to provide for the medium to long term. This plan aims to :

- provide an overview of the economic landscape over the next 20 to 30 years
- define a clear vision for the economy and analyse its implications
- initiate a national planning process, which is consultative and evolutionary in character ,
- help build a shared vision among labour, business and government on national economic aspirations

### **QUANTITATIVE GROWTH**

The principal objective for any economic development is to achieve a high level of sustained growth. Based on certain assumptions, Singapore's projected growth rates under the two scenarios are given in Table I and 2.

**Table 1**  
**Projected GNP Growth – Optimistic Scenario**

	Population at Year 2030		
	<i>3.4m</i>	<i>4.0m</i>	<i>4.4m</i>
1990-1995	6.7%	7.1%	7.3%
1995-2000	5.6%	6.0%	6.2%
2000-2010	4.4%	4.8%	5.0%
2010-2020	3.9%	4.3%	4.5%
2020-2030	3.7%	4.0%	4.3%

**Table 2**  
**Projected GNP Growth – Pessimistic Scenario**

	Population at Year 2030		
	<i>3.4m</i>	<i>4.0m</i>	<i>4.4m</i>
1990-1995	5.7%	6.1%	6.3%
1995-2000	4.6%	5.0%	5.2%
2000-2010	3.5%	3.9%	4.1%
2010-2020	3.0%	3.4%	3.6%
2020-2030	2.7%	3.1%	3.3%

## QUALITATIVE DEVELOPMENT

Singapore's Vision is to become a first league developed country in terms of the following characteristics:

- Economic Dynamism with a per capita income of one of the major industrialised countries. This means catching up with a moving target and goes further than the target set in 1984 that Singapore should achieve by 1999 the Swiss per capita GNP of 1984.
- Quality of Life
- National Identity
- Global City

Despite the long horizon, Singapore must take steps now to seriously and vigorously pursue the goal of becoming a first league developed country for two reasons. First, some of the strategies, like enhancing manpower, requires a long lead time of one generation or more. Second, it provides the best possible assurance against being overtaken by other emerging countries which, if it happened, could lead to economic stagnation or decline.

## KEY STRATEGIES: QUANTITATIVE GROWTH

The major restraining factors towards achieving the high average growth rates experienced in the 1980s of 7.1 per cent are full employment and present limits set on the foreign worker population. Singapore has also practically reached the limits of sea-front land and sea space. In order to continue to grow at relatively high rates, it is necessary to reorganise the way human and physical resources are managed. This can be done in two ways:

### Growth Triangle

By embarking on the Growth Triangle initiative in promoting the distribution of activities between Singapore, the Riau Islands and Johor, in accordance with the comparative advantages of the three regions, Singapore has effectively networked with a sub-region of ASEAN which has a much larger resource base. This Growth Triangle initiative will be further expanded by encouraging companies to under-take distributed processing further afield by establishing business ventures with indigenous companies in these areas.

### Internal Redevelopment

The other area where there is a need for improving resource efficiency is in domestic services.

These services took up about 39 per cent of the workforce in 1989, but accounted for only 9 per cent of GDP. A multi-agency task force will be formed to see what can be done to assist the faster upgrading of this sector.

## **KEY STRATEGIES: QUALITATIVE DEVELOPMENT**

The basic issue which underlies Singapore's efforts to become a developed country economically, is that of international competitiveness. Substantially lower costs gives Singapore the edge over its competitors in developed countries. On becoming a developed country, Singapore's cost levels will approach the levels of these countries, and the low cost advantage would be largely eliminated.

On what basis then can Singapore hope to compete with these countries? The answer can only lie in improving and upgrading to a level comparable to what these countries have today in key areas. And so long as Singapore remains an open economy in which MNCs play a major part, the assessment of what factors are important is essentially one that is judged by companies.

Based on a survey of companies in small developed countries, as well as an analysis of relevant studies, the major areas where Singapore needs to build up its capabilities have been identified as the following:

- Developed Country Business profile
- Human Resources
- Soft Infrastructure
- Global City
- Economic Resilience

### **Developed Country Business Profile**

Broadly speaking, the characteristics of developing countries, NIEs and developed countries, may be classified according to the following parameters:

- Business function
- Management
- Resource efficiency
- Marketing
- Business role
- Equity capital

Singapore needs to understand where the developed countries are on each of these parameters, and to move towards where they are. However, it must be recognised that, given Singapore's size, there are some things that are beyond its capabilities. Basic research, for example, is one area where a country needs economies of scale and a large pool of interdisciplinary talent. But, as in Switzerland's case, there are several niche areas in which it has specialised and earned a developed country's standard of living. Singapore needs to identify and cultivate the right kind of niches and within these niches, move as close to the level of developed countries as it is possible to achieve.

### **Human Resources**

The single most important factor towards achieving developed country status is enhancing Singapore's most important resource, its people. They should therefore be equipped with :

- A high standard of competence
- A high level of basic education
- A high degree of industry relevance in training programmes
- Effective programmes for mid-career training
- Nurturing important human resource qualities, such as the work ethic and creativity

### **Soft Infrastructure**

Singapore has spent the last 25 years investing heavily in physical infrastructure and today is rated one of the best examples in the world in this aspect. Emphasis needs to be placed on soft infrastructure which consists of :

- Technological infrastructure, comprising a pool of trained manpower in key technologies as well as a network of technical competence centres and research institutes which enable companies to be effective in design and innovation
- A social climate and institutional structure which supports innovation
- A national system which encourages a high degree of co-operation among labour, business and government.

### **Global City**

Being efficiently organised within Singapore is still not enough. With its size constraint, Singapore can only hope to become a developed country if it taps from the world the best of its talent and technology, expands into its markets and seeks out new business opportunities. In order to do this, Singapore needs to:

- Adopt an immigration policy involving an intake, tentatively estimated at around 0.4 per cent per annum of the population, of high quality professional and skilled persons to augment existing low growth rates in the labour force, as well as to refresh and renew the higher echelons of the talent pool in Singapore. This strategy must continue even beyond the year 2030.
- Encourage Singapore companies to set up operations in different parts of the world, where there are business opportunities and substantial benefits for the companies and for Singapore. For this, the greatest need is in exposing Singaporeans to the international environment and making it interesting and attractive for them to live and work overseas for short periods of time.
- Develop a globalisation plan, whereby the Economic Development Board, along with other government agencies provides support for local companies to invest internationally and strengthen businesses in Singapore through business synergies.

### **Economic Resilience**

In formulating clear strategies to move forward along a particular path, Singapore cannot afford to overlook challenges to the economy. Contingent situations can appear which may affect the Singapore economy's capacity to grow and move in the chosen directions. Three sets of contingencies have been identified:

- Alternate economic scenarios.

All major strategies need to be tested against these alternate scenarios. For this purpose, a Scenario Analysis Group which examines these relevant scenarios in sufficient detail to understand the implications of each will be set up. The information derived should be made available to government agencies to enable them to analyse their own strategies in the light of these scenarios.

- An erosion of short-term or long-term economic competitiveness which could lead to a recession.  
At this moment, the indicators of competitiveness that have been compiled for Singapore are giving mixed signals. One indicator suggests that a danger zone was in evidence towards the end of 1990; the other shows a danger zone on the horizon, but that on present trends Singapore would not enter this zone until 1992 or 1993. While the evidence may not be conclusive, it needs to be watched very carefully.
- Areas of high dependency on one particular country or on one particular business group.  
Some areas of high dependency are of limited concern because it is easy to switch from one source to another. Where this is not possible, specific strategies to minimise the risk of adverse occurrences have been developed.