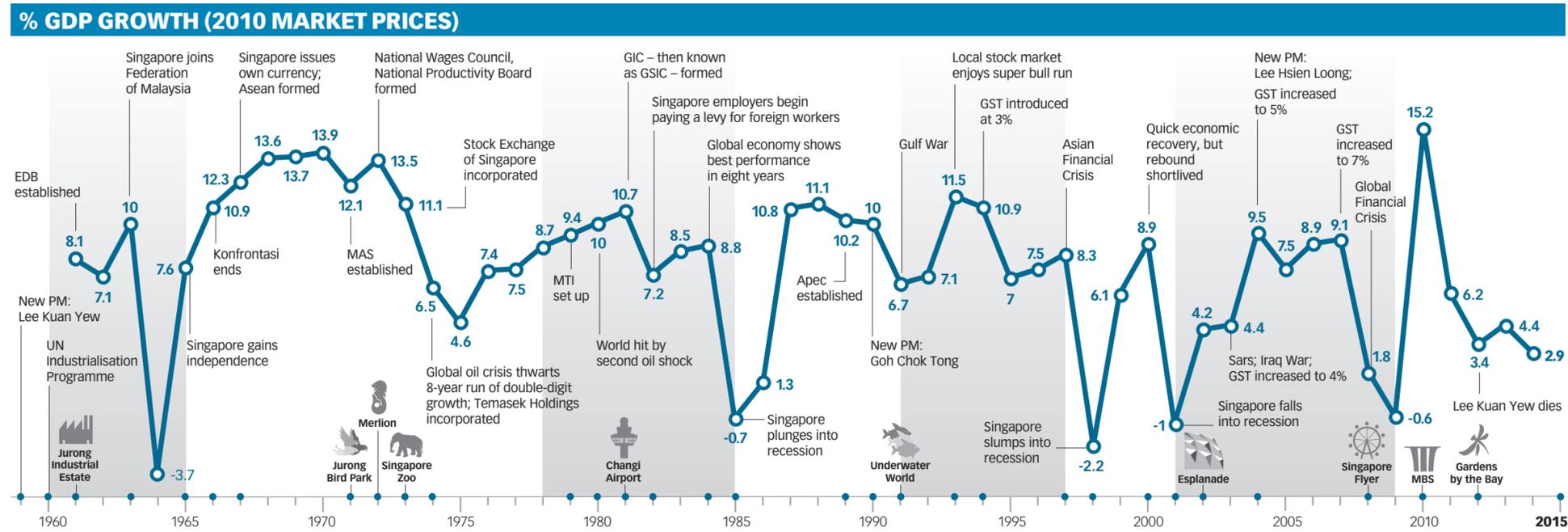
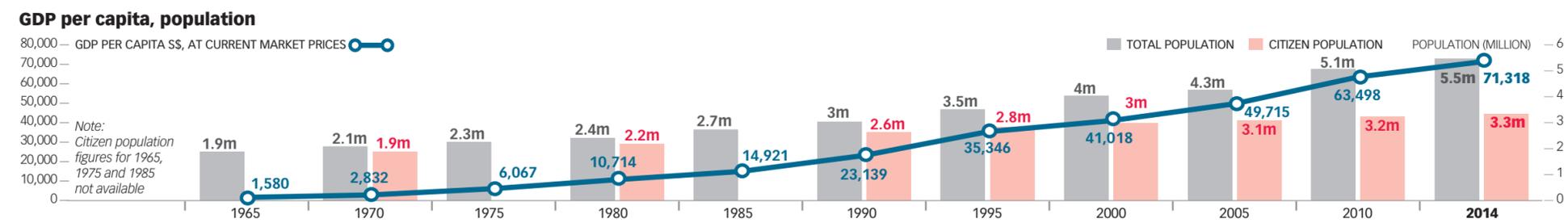
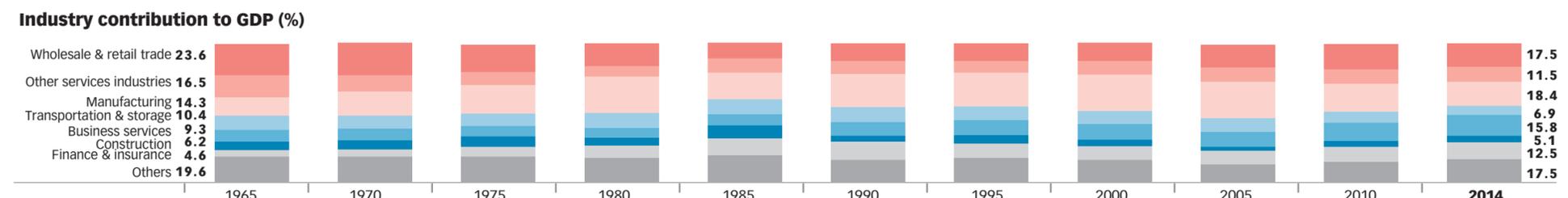


50 and beyond: Singapore's economic transformation

In five decades, Singapore has weathered five recessions, clocked 18 years of double-digit growth, and transformed into a global hub for finance and commerce. Through all the swings and dips, one thing has remained true – the relentless push to stay competitive. *The Business Times* takes a look at Singapore's economic transformation, and ponders on the strategies that may lie ahead. – **By Kelly Tay and Andrea Soh**



KEY INDICATORS



FIVE DECADES OF TRANSFORMATION

Decade	Key Events & Challenges	Growth Strategies	Outcomes
1960 – 1964	Small country, no natural resources; dependent on entrepot trade, British military bases.	Export-oriented approach; attract foreign investors to grow manufacturing and financial sectors.	Growth averaged 5.2% pa; manufacturing's share of GDP grew from 11% in 1960 to 13% in 1964.
1965 – 1978	After separation from Malaysia, import substitution no longer relevant; high unemployment of 10%.	Shift to higher value-add and skills-intensive investments; attract foreign investors to grow manufacturing and financial sectors.	Growth averaged 10% pa; unemployment rate fell to 3.6% in 1978; manufacturing's share of GDP grew from 14% in 1965 to 24% by 1978.
1979 – 1985	Rising wage costs, tight labour market; competition from lower-cost developing countries.	Shift to higher value-add and skills-intensive investments; attract foreign investors to grow manufacturing and financial sectors.	Growth averaged 7.7% pa; nominal value-added per manufacturing worker rose by S\$8,600 over period; skilled employment doubled to 22%.
1985 – 1991	1985-1986: First recession since independence; due to weak external demand and fundamental internal problems.	Cost-cutting measures: reduce employers' CPF rate, wage restraint; promote services – eg tourism & banking – as actively as manufacturing.	Quick rebound, double-digit growth by 1987.
1991 – 1997	More mature economy, slower growth; faster rising costs, more binding resource constraints.	Relatively low-tech base; enhance human resources & soft infrastructure; help local firms expand abroad.	Growth averaged 8.5% pa; direct investments abroad shot up from S\$16.9b in 1990 to S\$75.8b in 1997.
1997 – 2001	1997: Asian Financial Crisis; rise of China & India brings opportunities, challenges.	Ensure competitiveness, cut corporate & income tax to 20% from 25%; flexible foreign worker policies.	Economy grew strongly, on the back of strong inflows of foreign workers; but reliance on cheap foreign labour led to lower productivity growth.
2001 – 2010	2001: Singapore economy contracts 1.2%; Dotcom bubble; Sept 11 terrorist attacks; 2003: Sars crisis, tourism & entire economy suffer.	Ensure competitiveness, cut corporate & income tax to 20% from 25%; flexible foreign worker policies.	Economy grew strongly, on the back of strong inflows of foreign workers; but reliance on cheap foreign labour led to lower productivity growth.
2010 – Present	New & volatile global economic environment; PM Lee Hsien Loong forms Economic Strategies Committee to build capabilities, maximise opportunities, foster sustained and inclusive growth.	Raise productivity of workers in all sectors, with raising wages as end-goal; reduce reliance on foreign workers by raising levies progressively.	Budget 2010: National Productivity Fund set up, Productivity and Innovation Credit (PIC) introduced.

“The question was, how to make a living? How to survive? This was not a theoretical problem in the economics of development. It was a matter of life and death for two million people.”

– Founding prime minister Lee Kuan Yew (1978)

“What will Singapore be like 40 years from now? I can't tell you. Nobody can. But I can tell you it must be a totally different Singapore because if it is the same Singapore as it is today, we're dead ... We have to remake Singapore – our economy, our education system, our mindsets, our city.”

– Prime Minister Lee Hsien Loong (2005)

“We can no longer prosper and progress through hard work alone. Our people have to master deep skills in every field, and our enterprises have to bring new ideas to the market.”

– Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam (2015)

WHAT'S NEXT? 2015 AND BEYOND

As Singapore's economy matures and enters a new phase, the government is expecting slower but better-quality growth. Expansion will be driven by deep skills and innovation, with Singaporeans at the core.

Three main dimensions to future growth:

- 1 FROM VALUE ADDITION TO VALUE CREATION**
 - Pervasive innovation in every firm, industry
 - Develop own products & services
 - Become leading centre for value creation in business strategies of foreign companies
- 2 MASTERY OF SKILLS**
 - Hone deep skills in every vocation
 - Learning at every stage of life
 - Multiple pathways to success
- 3 SINGAPOREAN CORE**
 - High-skilled, innovative teams in every sector
 - Good careers for Singaporeans
 - Globally competitive local companies

EXISTING STRENGTHS | WHY

- 1 ADVANCED MANUFACTURING**
 - New opportunities from technological trends
 - Deep capabilities in wide spectrum of disciplines – electrical, mechanical, and process engineering
 - Diverse portfolio of industries concentrated in a city-state
- 2 APPLIED HEALTH SCIENCES**
 - New demand for non-traditional models of care, due to growing affluence and rapidly ageing population in Asia and elsewhere
 - Strong science foundation, respected healthcare services, deep Asian consumer and market insights
- 3 SMART & SUSTAINABLE URBAN SOLUTIONS**
 - Growing urbanisation worldwide
 - Countries in region already look to Singapore as a model and pioneer of sustainable city management
- 4 LOGISTICS & AEROSPACE**
 - Rising volumes of trade in Asia
 - Allow companies to compete on factors other than costs
 - Already Asia's leading logistics hub, airport, and seaport
- 5 ASIAN & GLOBAL FINANCIAL SERVICES**
 - Rapid growth of Asian finance
 - Rise in areas like infrastructure funding, structured trade finance, wealth
 - Already among the top five international finance centres in the world