



Publication: The Financial Times

Date: 18 August 2013

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Singapore PM promises 'strategic shift' to protect city state's success

Published: Sunday, 18 Aug 2013 | 7:54 PM ET

By: Jeremy Grant

Singapore's prime minister, Lee Hsien Loong, promised a "strategic shift" in his country's approach to "nation building" as he laid out plans to address widening income disparity and other threats to the island nation's economic miracle of the past 20 years.

Mr Lee used a two-hour, primetime television address, with a presentation, on Sunday to lay out his plans, the fruit of almost a year of soul-searching by his ruling party as it has grappled with voter discontent.

There would be more government spending on healthcare, including a "pioneer package" of benefits for the older generation of Singaporeans who helped build the country in the 1960s. Housing would be made more affordable and social safety nets improved.

Mr Lee and the ruling People's Action party he heads face the most serious existential dilemma in Singapore's 48 years as an independent nation, political analysts say.

For a tiny city-state whose land mass is about the same as Bahrain or a moderately sized Caribbean island, Singapore has for decades punched above its weight.

Its economy has grown at an average of 5-7 percent for much of the past decade, helping create a gleaming financial hub in Asia that is closing the gap with Switzerland as the world's largest for wealth management.

Low corporate and personal taxes have helped attract more foreign investment over the years, turning it into the undisputed business hub for companies tapping into the fast-growing economies of southeast Asia. Its streets are largely crime-free.

But with a falling birth rate, Singapore has had to rely increasingly on foreign immigrants to keep its economic miracle on track, a trend that has strained transport infrastructure and provoked resentment among some ordinary Singaporeans.

Income disparity also has widened. Official data showed in March that while Singapore has an average per capita gross domestic product of \$50,000, income inequality is widening, as shown by the "Gini coefficient", a commonly used measure.

Meanwhile, the number of rich people in Singapore with more than \$1 million in "investable assets" is expected to reach 133,000 by 2015, about double the level in 2010.

Mr Lee acknowledged that the distribution of wealth had widened, saying "we are not all Ronaldos" – a reference to Portuguese footballer Cristiano Ronaldo – "so the government must intervene more to keep ours a fair and just society".

On the economic front low productivity has dogged Singapore's manufacturing industry, which makes up about a quarter of GDP.



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That has raised alarm bells that Singapore, Asia's 10th largest economy, could be left behind. Productivity levels are around 70 percent of those in the US, according to Credit Suisse, well behind Taiwan and Australia but just ahead of Britain.

For the first time the PAP has been feeling pressure at the ballot box, badly losing a by-election seven months ago to the opposition Workers party. It registered its best performance since 1984 amid a backlash over income inequality and unaffordable housing.

None of this is lost on the PAP, which since January has been holding "town hall" sessions with citizens as part of what it has called a "national conversation".

"We are at an inflection point in Singapore," Me Lee said recently. "We have come from third world to first but we need to think about where we are going in the longer term in a world where there is a lot of competition and uncertainty."

Political analysts say the PAP recognises it must devise nothing less than a new narrative with a population less willing to accept instruction and more interested in political pluralism.

"In many respects, Singapore faces its first significant existential challenge since independence with Singaporeans asking, 'what does it mean to be Singaporean?' and 'what does Singapore stand for?'," says Eugene Tan, assistant professor of law at Singapore Management University. "Singaporeans desire a fundamental rethink of how Singapore has been governed."

On a practical level the government is tackling the productivity issue, adding S\$5.3 billion (US\$4.2 billion) in subsidies and other help in its March budget for small- and medium-sized enterprises. It has also made early morning commuter train travel free to encourage people to help ease rush hour road congestion.

Yet the government is contending with a vibrant social media where criticism of policy is aired openly. That was a big factor in the PAP's worst general election result in 2011, a performance that it will be hoping not to repeat at the next poll in 2016.

Mr Lee has eagerly embraced Facebook and Twitter, even holding an afternoon tea meeting with Singapore's main bloggers and netizens last year.

Yet the city-state was criticised by bloggers and even large internet companies such as Google last month for a new media law stipulating that websites regularly reporting on Singapore must be licensed, pay a \$50,000 "performance bond" and take down articles deemed unacceptable by the government within 24 hours.

Singapore has said the new law is designed to bring websites in line with rules governing other types of media and "is not intended to clamp down on internet freedom".

The issue highlights a balancing act that Singapore's ruling party must perform as it tries to recalibrate how it governs.