

COMMENTARY

2023 may be no different from 2022, but Singaporeans can be hopeful and bold

By Eugene KB Tan

JUST as concerns over the global pandemic abated in 2022, the pandemic-induced economic challenges reared its ugly head in the year, stoked by geopolitical tensions and conflict.

Energy prices spiked, generating a knock-on effect on large swathes of the economy. Global stocks and bonds lost more than US\$30 trillion in 2022. These are the heaviest losses in asset markets since the 2008 financial crisis amid runaway inflation, significant interest rate rises, and the debilitating war in Ukraine.

It is no surprise if many of us are relieved to see 2022 come to an end, even as a sense of foreboding descends with China experiencing a massive surge in Covid-19 infections as it abruptly reopened, lifting its zero-Covid policy.

Geopolitical tensions grew with the US-China rivalry persisting, North Korea vigorously flexing its nuclear muscles, and Russia determined that Ukraine welcomed the new year in darkness and with air-raid sirens instead of celebratory fireworks. The end of 2022 may well presage 2023 as the year where the world lives even more dangerously.

Domestically, things were much more placid.

On the pandemic front, living with the virus took a major step forward. The Disease Outbreak Response System Condition (Dorcon) status lowered from orange to yellow, indicating that while Covid-19 is spreading in Singapore, it is typically mild or being contained – and so poses minimal disruption to daily life.

Many safe management measures, including masks mandates and vaccination-differentiated ones, were lifted over the course of 2022. Overseas travel, including corporate travel, returned with a vengeance – despite the airlines' capacity struggling to match the pre-Covid loads.

Normality is returning – not to the pre-Covid normal, but to the still-evolving post-pandemic normal.

As we begin the fourth year of the pandemic, there will be curveballs in this global health emergency. The situation in China bears close watching, not least for its impact on global supply chains.

It is a tired cliché, but learning the right lessons from the pandem-

ic is vital – be it for individuals, organisations, or as a society. How we ensure and enhance our preparedness for inevitable future crises is vital.

As a city-state that needs to be plugged to the global economic grid, locking down or even shutting our borders will extract a very high price on the economy and individual well-being.

'Brace ourselves'

Economically, the troubled international outlook is expected to result in slower growth in 2023 for Singapore – between 0.5 per cent and 2.5 per cent, down from 2022's expected 3.5 per cent. "We must brace ourselves for the uncertainties ahead" was how Prime Minister Lee Hsien Loong put it starkly in his New Year's Day message last Saturday (Dec 31).

The economic uncertainty has been brewing. In 2022, Singaporeans experienced multi-year high inflation. According to a Monetary Authority of Singapore (MAS) quarterly survey of economists released in mid-December, headline inflation for 2023 is forecasted at 5.2 per cent, lower than between 6 per cent and 6.4 per cent expected for 2022. For 2023, MAS projects headline inflation to average between 5.5 per cent and 6.5 per cent, taking into account all factors including the goods and services tax (GST) increase.

Where core inflation (which excludes private transport and accommodation costs) is concerned, often regarded as a better gauge of consumer sentiment, 2022's figures are expected to be in the region of 4 per cent to 4.4 per cent, with the 2023 forecast projected at 4 per cent.

With the GST now at 8 per cent, there remains in some quarters the nagging question whether the increase could have been deferred – even as the government maintains that raising the GST is necessary to

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At his New Year's Day message on Dec 31, Prime Minister Lee Hsien Loong exhorted Singaporeans to be bold and to seize opportunities for "even the darkest of clouds have silver linings". PHOTO: REUTERS

help meet ageing Singapore's growing social, security, and other needs. The angst – and even unhappiness – that surrounds the GST increase can be counter-productive.

There is never a good time for tax increases. However, it may help to avoid looking at GST increase in simplistic binary terms – whether to increase or not – especially with the rapidly growing demands on the public purse.

Instead, it would be beneficial to examine how the tax increase impact can be mitigated, in particular for lower-income households.

Singapore's consistent approach is to absorb GST for publicly-subsidised healthcare and education, and the provision of the GST Voucher scheme to help lower- and middle-income Singaporeans to offset part of their expenses.

Ultimately, the government will have to unequivocally demonstrate that the public coffers are prudently stewarded such that disciplined public spending benefits Singaporeans with better healthcare (especially for an ageing population), education (increasingly, accessible, quality, affordable childcare and early childhood education), and security (as threats become more multi-faceted and complex).

In other words, taxation and the redistribution of income must be

demonstrated to have a strong linkage to positive welfare aggregation and the growth of social capital. Wealth taxes such as top-line income and property taxes were increased in 2022.

The top decile of individual income tax payers now contribute about 80 per cent of total personal income tax (PIT) revenue. PIT and property-related taxes currently contribute more than GST revenue; the better-off also pay more GST and contribute more to GST revenue.

Moves over the past few years to tax income and wealth more and ongoing reviews will make the tax system even more progressive. Hence, populist calls to tax the successful risk driving a social wedge between the haves and the have-nots.

Those who thrive in the system must increasingly play their part in paying it forward. Put simply, it is a collective effort to ensure that the various tax revenue streams are equitable, sustainable, and justified.

It has always been the case that how taxes are raised and spent is closely tied to a government's very legitimacy.

In 2023, we should go further and reflect how individuals and businesses make their wealth and profits and whether they are con-

tributing to the common good.

A mentality of seeking to extract from the system but not equitably contributing to its well-being will result in society becoming impoverished economically and socially.

One people?

Amid the external environment's uncertainties, the mantra of staying united as one people can easily be seen as a mere political slogan. Regardless, how we stay united matters immensely.

Revitalising the social compact and charting new directions through a collective sense of ownership and social responsibility to boost social cohesion and national identity is necessary as an integral part of the nation-building process.

Launched in 2022, the Forward Singapore discussions – led by Deputy Prime Minister Lawrence Wong and the 4G team – will continue intensively, culminating with a report in mid-2023.

We can expect some early policy measures and announcements in Budget 2023, to be unveiled on Feb 14, that seek to renew and strengthen our social compact.

The report promises to be highly influential in shaping the 4G leadership's political agenda. It will define their to-do list in the years ahead and for which they will be as-

sessed on.

Singapore urgently needs a clear national vision and actionable plans that capture the imagination of the nation as well as their hearts and minds. If the 4G leadership secures the buy-in and support of Singaporeans for the action plan, it will help moderate the political temperature on these potential hot-button issues.

If the 4G leadership is able to engender a broad societal consensus on the abiding tasks, that would boost the standing of the 4G team ahead of the next general election which must be held by November 2025.

But before that, the sixth presidential election, open to eligible candidates from all races, is scheduled for this September. President Halimah Yacob, who was elected by way of the reserved election in 2017, has not indicated if she will seek re-election.

Whether voters will get to cast their ballots is another unknown.

Although there was a very keen, perhaps over-exuberant, contest in the last contested presidential elections in 2011, the upcoming election, even if it is contested, should be less politicised.

With the enhancements to the eligibility requirements and the election process following the Constitutional Commission's report and recommendations in 2016, the tone and tenor of the election will likely be very different from 2011.

In some respects, a contested presidential election will be more a battle of resumes and an assessment of the candidates' relative independence from the government.

Singaporeans still have to better understand the nuanced constitutional role and functions of the president. Moreover, despite the office being popularly elected, the presidential election process is vastly different from that of parliamentary election process.

PM Lee exhorted Singaporeans to be bold and to seize opportunities, for "even the darkest of clouds have silver linings". As 2022 demonstrated, we can be different, even exceptional, and ensure we thrive despite the uncertainties. Can we be equal to the many challenges in 2023?

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