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Lift capabilities of local firms, urge economists

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AS Singapore's economic policies become more welfare-minded, policymakers need to improve social safety nets and change the course of development policy, local economists say.

Speakers at the **Singapore Economic Policy Forum** yesterday called for policymakers to focus on boosting local firms' capabilities and indigenous talent as one way of improving welfare.

Singapore's is a tried and tested, well-known development model: The economy wooed multinational companies from the major economies to its shores, initially into basic labour-intensive manufacturing, and over time upgraded to higher-value industries.

Member of Parliament Inderjit Singh, who is CEO of Solstar International, said that Singapore's diversification into higher-value manufacturing now needs to become much more entrepreneurial and self-sustaining.

'Singapore needs to move away from providing incentives to attract foreign companies because it distorts the playing field for local enterprises,' said Mr Singh. 'I'm not saying do away with attracting MNCs altogether, but we should also place an equal emphasis on encouraging local enterprises.'

Mr Singh added that the government must realise that bringing up local champions requires policy horizons that are longer-term.

Manu Bhaskaran, vice-president of the Economic Society of Singapore, echoed Mr Singh's sentiments in his talk on Singapore's structural challenges.

Said Mr Bhaskaran: 'There is a need to build inherent capacity - the critical software, blueprint, knowledge - that's locked away in the indigenous workers and companies of a country.

'And in terms of inherent capacity, we still have a long way to go.'

Asked if the average Singaporean can aspire to a better standard of living over the next decade when the country may perhaps be growing only 3 per cent a year, Mr Bhaskaran said the answer does not point to a 'growth at all costs' model.

'In terms of welfare, it will be much more policy-driven than GDP growth. The lesson we've learnt from the last 10 years is that high rates of GDP growth do not necessarily translate into improved welfare,' said Mr Bhaskaran.

He presented figures on Singaporeans' expenditure between 1997 and 2008 as a measure for welfare improvement. The figures show that on a whole, domestic spending grew an 'insignificant' 0.6 to 0.7 per cent a year in real terms over that period.

Moreover, income distribution in Singapore has worsened over the years, in contrast to advanced OECD nations.

'In OECD countries, policy interventions have a huge difference in inequality outcomes,' he said. 'Policy intervention can be used more aggressively to mitigate inequality. We can never get away from it entirely, but we can contain its effects so the welfare of citizens is protected.'

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