

Competitiveness: Challenges and Opportunities for Asian Countries

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Thailand's National Competitiveness
Committee and NESDB and organized
by the Nation Group

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Competitiveness: The Singapore Story

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OUTLINE

- Development Phases
- Economic Trends, Post-1997
- Government's Role
- Competitiveness Rankings
- Challenges and Issues

Development Phases

- Import-substitution, early 1960s
- LDC to NIE, mid-1960s to mid-1980s
- NIE to First World, mid-1980s-

Economic Progress: Growth Drivers, 1965-

MNCs

GLCs

Local SMEs

Government Ownership by Sector

SECTOR	%
Banks	26
Telecommunications	100
Print Media	100
Television/Radio	close to 100
Taxis	100
Mass transit	100

Source: Bhaskaran, 2003

Committees: A Tested Solution to Economic Challenges?

- Economic Committee, 1985-86
- Committee on Singapore's Competitiveness, 1997
- Economic Review Committee, Dec 2001- Feb 2003
- Remaking Singapore Committee, Feb 2002 - July 2003

Dealing with Downturns

- 1985-86 Recession: New Directions
- 1997 Committee on Competitiveness
 - Cut business costs (taxes, fees, etc)
 - Diversify markets
 - Maintain investor confidence
 - Form strategic partnerships
 - Build capabilities

The Committee on Singapore's Competitiveness, 1997

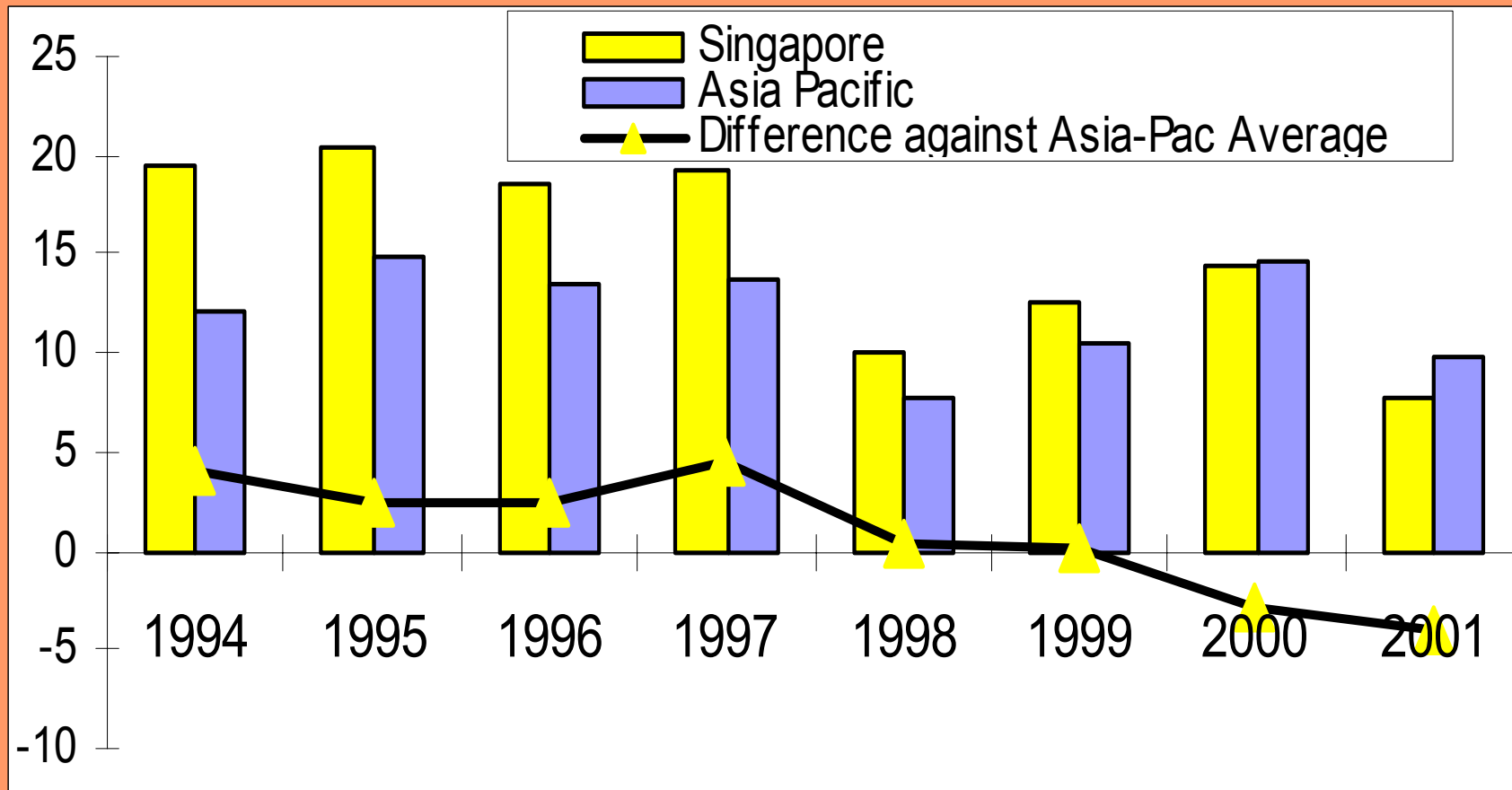
Strategies For Future Competitiveness

- Nurture a knowledge-based economy
- Build world-class companies
- Fire twin growth engines –
manufacturing & services

What has changed since 2000?

- **Tougher cost-sensitive competition**
- **More shocks in global economy**
- **Region**
 - More shocks too
 - New growth locomotives
but also tougher competition

Singapore: Falling Returns

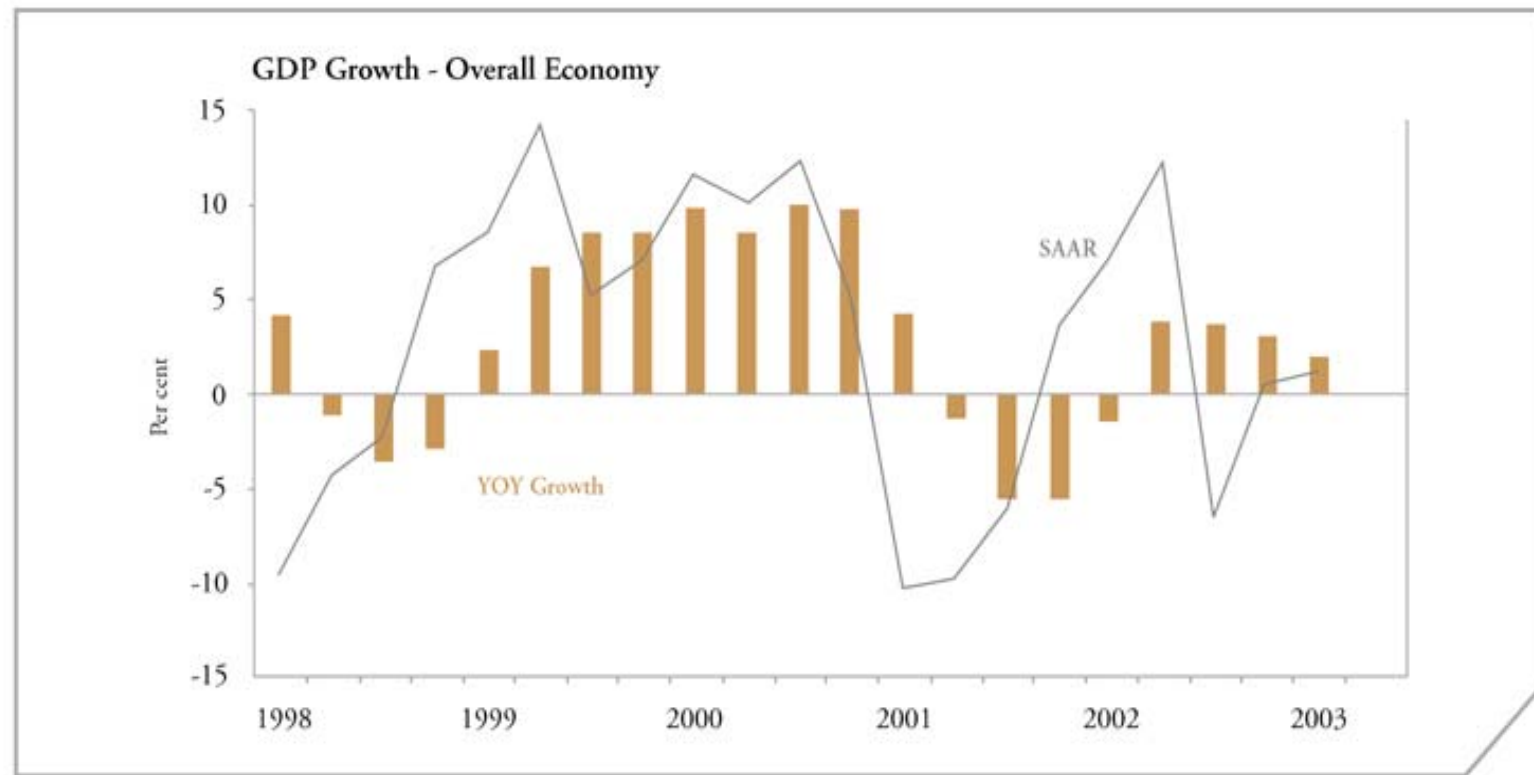


Source: Bhaskaran, 2003

New Challenges

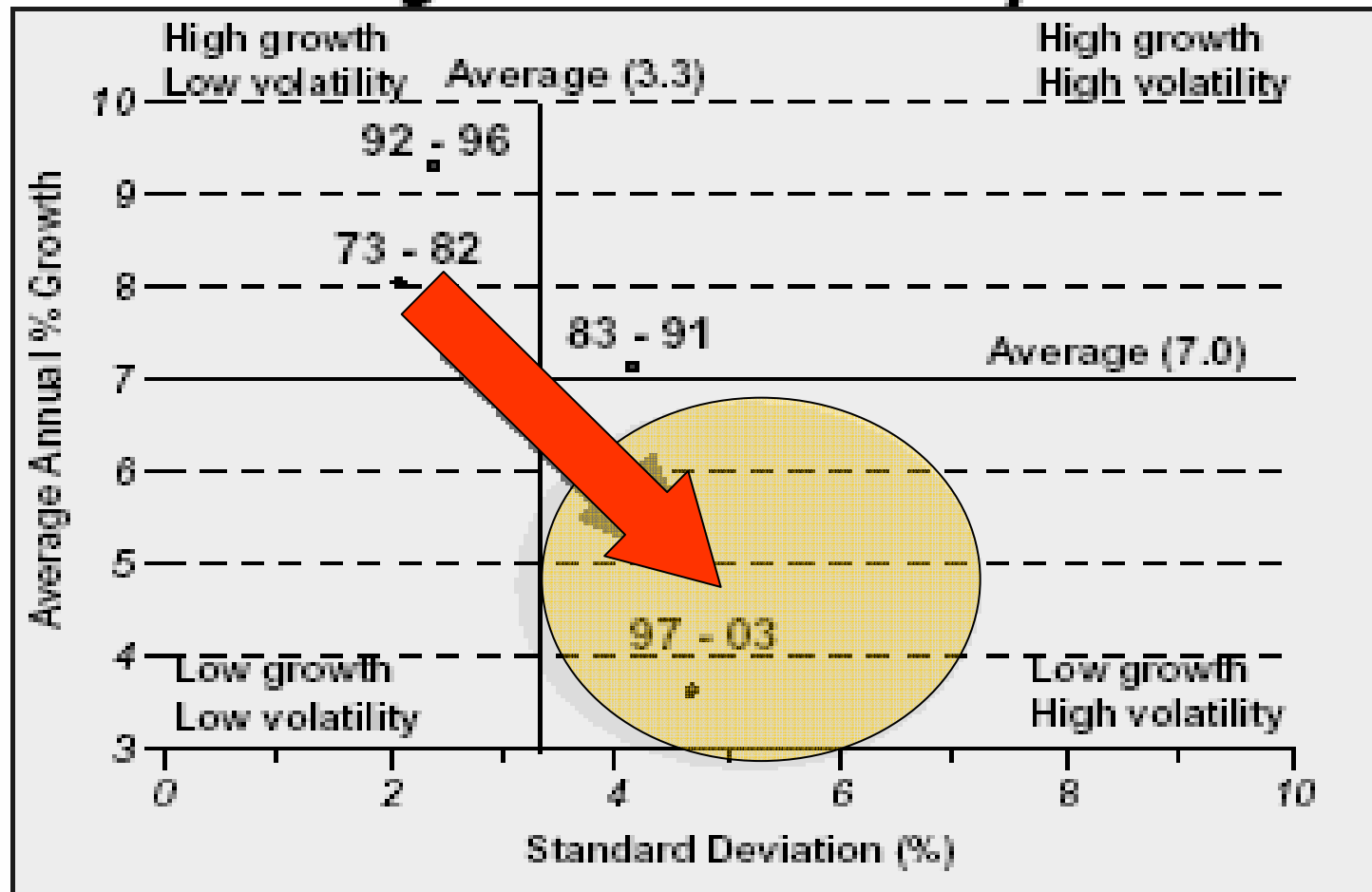
Political:	global & regional terrorist threats
Growth cycles:	shorter, more volatile
Financial shocks:	more frequent

Singapore: GDP Growth, 1998-2003



Source: MTI

Singapore: GDP Growth and Volatility



Source: MAS, Singapore

External Pressures

Cost Pressure on Companies

- Weak pricing power & strong competition, so closer attention to costs

Solutions

- Shift production to low-cost sites
- Outsource
- Seek economies of scale

Economic Review Committee (ERC)

Dec 2001

- MAIN COMMITTEE (chaired by DPM Lee)
- 7 SUB-COMMITTEES
 - TAXATION, CPF, WAGES AND LAND
 - ENTREPRENEURSHIP & INTERNATIONALIZATION
 - SERVICE INDUSTRIES
 - HUMAN CAPITAL
 - MANUFACTURING SECTOR
 - DOMESTIC ENTERPRISES
 - IMPACT OF ECONOMIC RESTRUCTURING

Economic Review Committee (ERC)

- **1,000+ people involved in “no stones left unturned” review of short term problems and long term challenges**
- **Immediate Issues – lowering costs, staying competitive**
- **Longer Term Strategies**
 - expanding external ties
 - maintaining flexibility
 - encouraging entrepreneurship
 - boosting growth engines of manufacturing and services
 - developing our people
- **Aim – 3-5% GDP growth, half the pre-1997 rate**

Economic Review Committee: Key Ideas

- Promote creativity and entrepreneurship
- Deregulate and liberalize economy
- Encourage self-reliance and reduce dependence on the state

Economic Review Committee

Recommendations – Partial List (not ranked)

- Change tax system to reward enterprise
- Encourage wage flexibility
- Promote entrepreneurial culture
- Attract global entrepreneurial talent
- Cut public sector red tape
- Rebalance role of government
- Provide incentives for start-ups
- Remove biases against services
- Nurture technology development
- Seek new markets
- Develop national & industry clusters

Remaking Singapore Committee (2002-03)

- Vision: Singapore as a leading global city, a hub of talent, enterprise and innovation in the next 15 years
- Social and cultural changes needed to complement economic policy thrusts
- "Singapore is remade through Singaporeans. A remade Singapore will be filled with Singaporeans actively pursuing our dreams, taking different roads to success, and reaching our destinations through our own efforts. We will embrace a diversity of peoples and ideas, yet we are also committed to building on and expanding our commonalities. We will give back to society and we will make a difference to others. We will lead full and fulfilling lives in a Singapore that we proudly call Home." (RSC Report)

Changed Role of Government?

Past

- planner
- player
- producer
- protector
- investor
- regulator
- referee
- guide

Current

- facilitator
- regulator
- planner
- player
- Producer
- protector
- investor
- referee

Other Vital Roles of Government

- Ensuring Security
- Creating shared goals
- Building social consensus
- Minimizing impact of change on vulnerable groups

Competitiveness Rankings

- a la WCY
- GCR

IMD WCY 2004: Rankings (Selected Countries)

- Econ Performance

– USA	1
– Japan	17
– Singapore	5
– Hong Kong	11
– Thailand	9
– China	2
– Malaysia	16
– Korea	49
– India	12

- Govt Efficiency

– USA	10
– Japan	37
– Singapore	1
– Hong Kong	3
– Thailand	20
– China	21
– Malaysia	16
– Korea	36
– India	33

IMD WCY 2004:Rankings (Selected Countries)

- Infrastructure

– USA	1
– Japan	2
– Singapore	9
– Hong Kong	22
– Thailand	50
– China	41
– Malaysia	30
– Korea	27
– India	57

- Business Efficiency

– USA	1
– Japan	37
– Singapore	6
– Hong Kong	2
– Thailand	23
– China	35
– Malaysia	13
– Korea	29
– India	22

WCY 2004: Top 16 Rankings of Small Countries/Regions (Population under 20 mil)

- | | | | |
|--------------|---|---------------|----|
| • Singapore | 1 | • Austria | 9 |
| • Iceland | 2 | • Switzerland | 10 |
| • Hong Kong | 3 | • Netherlands | 11 |
| • Denmark | 4 | • Norway | 12 |
| • Finland | 5 | • New Zealand | 13 |
| • Luxembourg | 6 | • Bavaria | 14 |
| • Ireland | 7 | • Belgium | 15 |
| • Sweden | 8 | • Chile | 16 |

WCY 2004: Rankings of Asia-Pacific Countries/Regions

- | | | | |
|---------------|---|------------------|----|
| • Singapore | 1 | • China Mainland | 9 |
| • Australia | 2 | • Thailand | 10 |
| • Hong Kong | 3 | • India | 11 |
| • Taiwan | 4 | • Korea | 12 |
| • Malaysia | 5 | • Maharashtra | 13 |
| • New Zealand | 6 | • Philippines | 14 |
| • Zhejiang | 7 | • Indonesia | 15 |
| • Japan | 8 | | |

Growth Competitiveness Rankings: Selected Countries/Regions, 2003

Growth Competitiveness Index

Finland	1
Singapore	6
Japan	11
Korea	18
Hong Kong	24
Malaysia	29
Thailand	32
China	44
India	56
Vietnam	60

Business Competitiveness Index

Finland	1
Singapore	8
Japan	13
Hong Kong	19
Korea	23
Malaysia	26
Thailand	31
India	37
China	46
Vietnam	50

Growth Competitiveness Rankings: Singapore, Selected Indices, 2003

- Macroeconomic Environment 1
- Public Institutions 6
- Technology 7
- Company Operations & Strategy 12
- Quality of National Bus. Environment 4
- **Capacity for Innovation** **21**
- Quality of Management Schools 9
- State of Cluster Development 4

Growth Competitiveness Rankings: Singapore, Selected Indices, 2003

Factor Input Conditions:

- Burden for Start-ups 6
- Quality of Management Schools 9
- Quality of Scientific Research Institutions 10
- University Industry Collaboration 3

Growth Competitiveness Rankings: Singapore, Selected Indices, 2003

Supporting Industries:

– Local Supplier Quality	21
– State of Cluster Development	9
– Collaboration among Clusters	7
– Local Availability of Parts	28

Growth Competitiveness Rankings: Singapore, Selected Indices, 2003

Incentives/Context for Firm Strategy:

- Labor-Employer Relations 1
- Efficacy of Corporate Boards 7
- Minority Shareholders' Interest Protection 11
- Extent of Distort Government Subsidies 1

Growth Competitiveness Rankings: Singapore, Selected Indices, 2003

Competition:

– Hidden Trade Barriers	6
– Intensity of Local Competition	20
– Extent of Locally-based Competitors	39
– Effectiveness of Anti-Trust Policy	19
– Foreign Ownership Restrictions	5

Growth Competitiveness Rankings: Singapore, Selected Indices, 2003

Technology Index:

– Technological Sophistication	6
– Firm Level Technology Absorption	5
– Company Spending on R&D	10
– University/industry collaboration	3
– Utility Patents	10

Opportunities

- New Markets – China, India, Asia-Pacific
- Sectors/Industries – Making/Finding Winners
 - Electronics
 - Chemicals
 - Pharmaceuticals
 - Biotechnology
 - Financial Services
 - Telecommunications
 - Healthcare
 - Education
 - Tourism (betting on casinos?)

EDB Clusters: New Growth Engines

- Seed mfg clusters including photonics, nanotechnology and flat panel display;
- Develop new services clusters including healthcare, education, professional and technical services, intellectual property management, disaster recovery centers and media;
- Expand geographic catchments for investments, especially China and India;
- Promote new start-ups, financing for enterprise growth;
- Support market development and networking among firms

Evolving New Industries: Challenges

Two key sources of strength less potent:

- Superior policymaking less crucial
- Improving infrastructure in region

New drivers of competitiveness hurt us:

- Businesses more sensitive to costs
- Creativity, entrepreneurship
- Economies of scale

Winners/losers less predictable

Company responses more important

Education as Example: Making a Winner?

Vision for Education Industry by 2012

Singapore – The Global Schoolhouse

100,000 More Full-Fee Paying
Int'l Students (Annual Stock)

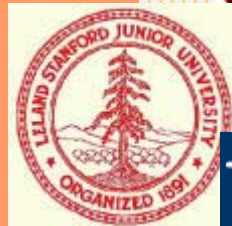


100,000 More Corporate Executives
(Annual Inflow)

Diversity of Schools
& Programs

World Class Universities in Singapore

USA



STANFORD

Duke UNIVERSITY

Europe

TU/e

INSEAD

TUM

Asia



Source: EDB

WCUs in Singapore



- ▶ The Logistics Institute - Asia Pacific
- ▶ Collaboration with NUS
- ▶ Participation from industry through Leaders in Logistics programme
- ▶ Dual Masters degree in Logistics
- ▶ Joint research in global logistics



- ▶ Collaboration with NUS and NTU
- ▶ 5 programmes in advanced engineering
- ▶ 300 Masters and PhD students
- ▶ 40 MIT faculty, 40 NUS/NTU faculty



- ▶ Permanent campus at House of Tan Yeok Nee
- ▶ International Executive MBA programme
- ▶ 25 GSB faculty
- ▶ 160 MBA students
- ▶ Executive education programmes



- ▶ Collaboration with NUS/NUH
- ▶ R&D Centre with 65 researchers
- ▶ Not-for-profit academic medical centre with NUH
- ▶ Graduate training in Molecular & Cellular Immunity, Biomedical Engineering, Clinical



- ▶ Research Centre in collaboration with SMU
- ▶ Business Research related to Asia

Source: EDB

WCUs in Singapore



- ▶ The Design Technology Institute
- ▶ Collaboration with NUS
- ▶ Participation from industry eg Philips & HP
- ▶ Joint Masters of Technological Design (MTDs)
- ▶ Joint research in Design Technology



- ▶ SJTU MBA at NTU; NTU Executive MBA in Shanghai
- ▶ 2 dual masters programmes, MSc Environmental Management and MSc Construction Management



- ▶ German Institute of Science & Technology
- ▶ Started with Joint Master's Industrial Chemistry, Industrial & Financial Mathematics with NUS
- ▶ 30-35 students/program
- ▶ Joint teaching & research



- ▶ S\$60 mil, 2.9 ha campus
- ▶ 1 year MBA programme
- ▶ 80 INSEAD faculty
- ▶ 480 MBA students
- ▶ 5,000 Executive participants
- ▶ Research in global business & management issues

Source: EDB

WCUs in Singapore



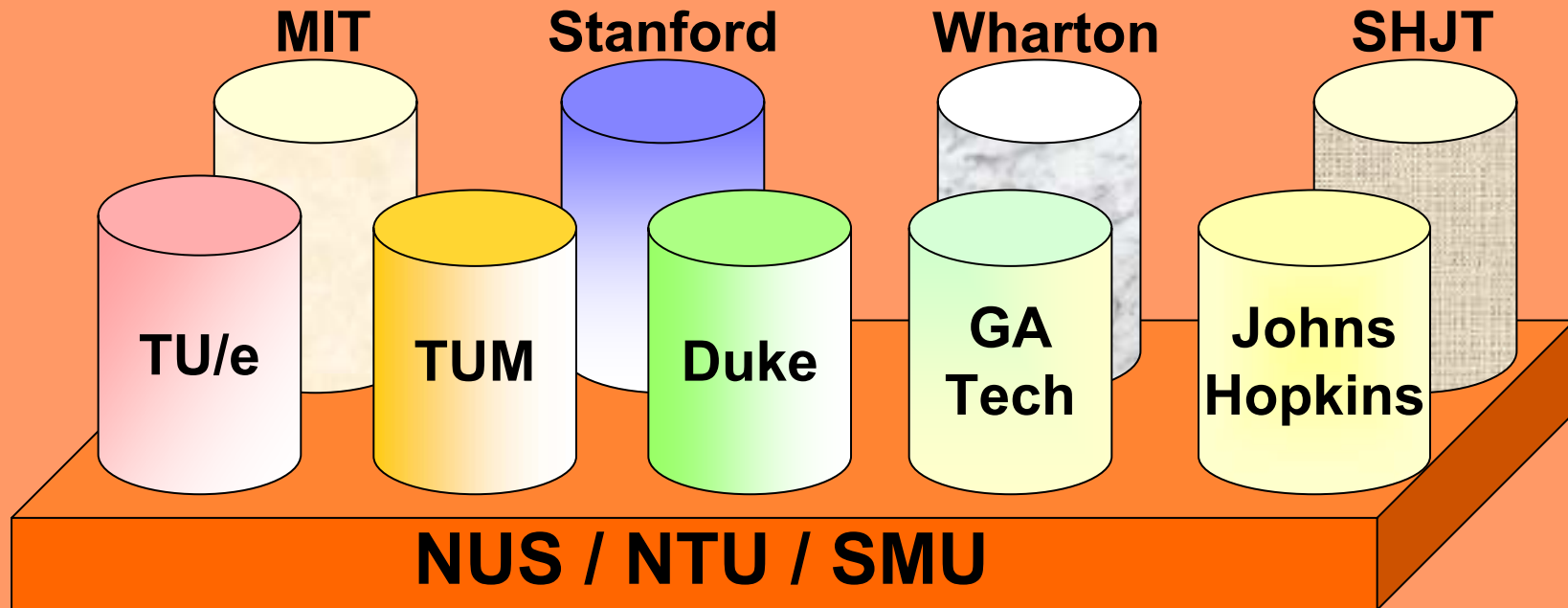
STANFORD

- ▶ **Singapore-Stanford Partnership (SSP) Programme**
- ▶ **Collaboration with NTU Civil & Environmental Engineering Dept to offer an MSc Environmental Engineering**
- ▶ **First intake of 25 students expected in Jun 2003.**
- ▶ **Joint teaching & research**



- ▶ **Singapore's 2nd medical school - graduate entry medical programme**
- ▶ **Collaboration with NUS**

Collaboration Model



Characteristics:

- ▶ Distinct entity on, or integrated into a local university campus
- ▶ Leverage on partner's strengths & resources
- ▶ Co-share global presence and coverage in education & research activities

Can Singapore remain highly competitive?

Strengths

- Openness – to talent, ideas, capital
- Human capital – improving rapidly
- Financial resources
- Institutional efficiency

But, Weaknesses Too

- Weak local sector
- Centralized decision making
- Rigid savings regime

Policy has changed!

Positive changes, post-1997

- Deregulation of key sectors (telecoms, for example)
- Tax system: shift to indirect taxation
- Education system reforms
- Bilateral and regional FTAs
- Sing dollar restrictions eased
- CPF investment schemes liberalized

The 8 Golden Rules of Sustaining Competitiveness

Sustaining Competitiveness: 8 Golden Rules

- Elect pragmatic, honest government
- Create predictable, business-friendly environment
- Adhere to liberal trade regime
- Invest in people
- Build up superior infrastructure
- Send clear signals to investors
- Keep taxes low
- Encourage private savings

Thank you!