Singapore Budget 2008: Top Quality Economy, A Resilient Community

Singapore's 2008 budget titled “Top Quality Economy, A Resilient Community”, unveiled by Finance Minister Tharman Shanmugaratnam in early February, reinforced the government’s ongoing strategy to prop up Singapore’s momentum in a competitive global economy while keeping the community together and ensuring that no one is left behind.

Presenting the Budget in a speech in Parliament on Feb 15, Singapore’s Finance Minister Tharman Shanmugaratnam announced that the government expected to post a budget surplus of S$6.4 billion (about US$4.6 billion) for the fiscal year. Minister Tharman attributed the surplus to faster-than-expected economic growth of 7.7% last year and an exceptionally buoyant real estate market.

Building a Top Quality Economy

Last year’s strong fiscal position has enabled the Government to distribute its biggest ever surplus sharing payout this year. Growth dividends totaling S$1.8 million (about US$1.3 million) will be given out in April and October, with more for the old and poor. Income tax rebates amounting to 20% of taxable income will also be given to all citizens.

Notwithstanding the bumper surplus and Budget ‘goodies’, Minister Tharman cautioned that inflation remained a major uncertainty for the economy. The global economic uncertainty could also hamper Singapore’s growth. “A sharper than expected decline in the U.S. economy could add turmoil in the financial markets and deepen the credit crunch that is still unfolding,” said Minister Tharman. “This would inevitably spill over to the Asian economies and markets.”

Minister Tharman underscored that the best offsets against inflation were investing in education, in growing jobs and incomes. The Singapore Government will continue to invest in higher quality education and pay teachers competitively to ensure that good and dedicated people are retained. More resources will also be invested to achieve higher standards in the preschool sector, which will especially benefit children from lower-income backgrounds, and enhance assistance for needy students to ensure that a top-rate tertiary education is not out of their reach.

Innovation as a Key Thrust

Spurring the growth of innovative enterprises is also one of this year’s Budget’s major thrusts. Minister Tharman explained that the Government hoped to spread innovation across the corporate sector, enhance incentives for enterprises—both small and big—to do R&D, and push for greater commercialisation of research generated in institutions of higher learning.

Overall research spending will be increased to S$7.5 billion (about US$5.4 billion) per annum by 2010, or 3% of the GDP, with one-third of this being publicly funded research. Incentives will be offered for enterprises to create new ideas and products. The budget also adjusted tax policies to stay competitive, support the growth of small and medium enterprises (SMEs), and encourage risk-taking. For example, tax deductions allowed for R&D done in Singapore will be increased from 100% to 150%.

Keeping the Community Resilient

Minister Tharman outlined several strategies that the Government had put in place to...
ensure that Singapore’s inflation remains lower than the global rate in the medium term. This included moderating imported inflation via active exchange rate management, supporting home ownership as a pillar of society, as well as providing direct assistance to Singaporeans facing problems in coping with the cost of living.

Minister Tharman also emphasised the Government’s fundamental approach for helping Singaporeans in need, which is essentially to enable them to get a good income for themselves. The Workfare Income Supplement, which supplements the income and savings of older low-wage workers, and the Goods and Services Tax offset scheme, both introduced last year, will continue to benefit these Singaporeans.

In healthcare, the Government will spend S$1.9 billion (about US$1.35 billion) over the next five years to upgrade public hospitals and build a new hospital, as well as beef up the quality of health care professionals. It will also top up citizens’ medical savings accounts and set aside more funds to help the elderly and needy.

**Economic Outlook**

Minister Tharman projected that the Singapore economy would grow 4.0% to 6.0% in 2008, lower than the previous year, but still in line with the economy’s potential over the medium term. Minister Tharman noted that while there is increasing uncertainty in the global economy, Singapore’s economic fundamentals were strong as investments remain robust and employment was expected to stay high. Singapore would be able to weather any short term difficulties that it might face.

Concluding his speech, Minister Tharman stated that the Government’s ultimate goal is to develop the capabilities of Singapore’s people and enterprises, so that Singapore stays in the “top league of global cities for years to come”; as well as holding together as a community, and providing assurance for Singaporeans as they age.

“Whether we succeed as an economy, and whether we remain a resilient society, will not depend on how much we hand out, how much we top-up each year, or how large the bonuses are. We will ultimately succeed and remain a country that all Singaporeans feel proud of, if we continue to be a place where every Singaporean can aspire, where there is opportunity to develop every skill and talent, and where everyone does his utmost to do better and surprise with his abilities”, said Minister Tharman.
Singapore Wins Bid to Host Youth Olympic Games

The International Olympic Committee has selected Singapore to host the inaugural Youth Olympic Games in 2010.

“It is a great honour and a great privilege for Singapore and every Singaporean,” Prime Minister Lee Hsien Loong said, upon receiving the news together with some 5,000 jubilant Singaporeans gathered in front of the City Hall for the announcement on February 20. “It’s a national effort—a people’s effort, ours together.”

The Youth Olympics will attract 5,500 athletes between the ages of 14 and 18 competing in 26 sports. Traditional sports such as athletics and swimming will be featured, as well as innovative events such as beach-wrestling and BMX bike riding.

Singapore had proposed 24 venues for the Games, with four being built as temporary facilities, including one large cluster of 13 in the Marina-Kallang area. The Youth Olympic Village would be located at a new S$425 million (about US$305 million) student residential complex at the National University of Singapore.

More Countries Ratify ASEAN Charter

Four more countries—Laos, Malaysia, Brunei and Vietnam—have joined Singapore in ratifying the ASEAN Charter, bringing the total to five member countries, with the remaining five expected to ratify the Charter by December.

The Charter, a landmark document that will pave the way for developing a rules-based and more cohesive ASEAN, was signed at the last ASEAN Summit held in Singapore in November 2007.

“The sentiment among the foreign ministers is one of quiet confidence that, in the end, it is in our national interest and in our collective interest to ratify the Charter,” said Singapore Foreign Minister George Yeo after the conclusion of the ASEAN Foreign Ministers’ annual retreat at Sentosa island in Singapore on February 20.

“It is only after the Charter has been ratified that we can hold every country against the standards that they have agreed to.”

The ministers at the retreat also agreed on a detailed plan of action for the implementation of the Charter, which includes working towards the establishment of a human rights body and enacting a mechanism for dispute settlement.

Singapore Armed Forces Support Efforts in Afghanistan

The Singapore Armed Forces (SAF) will deploy 50 men to Afghanistan this year, up from 10 last year.

Two 20-man teams will provide primary health care and ward facilities in support of a medical facility run by Dutch and Australian forces in Oruzgan province. In addition, two five-man construction engineering teams will help in reconstruction projects in Bamyan province. All teams will be deployed for three months each.

Singapore Defence Minister Teo Chee Hean said that Afghanistan is at the front line in the global fight against terrorism, so it is important to prevent Al-Qaeda elements from exporting violence and terror to other countries, including Singapore.

Minister Teo acknowledged that such deployments involve risks to the SAF servicemen, but said the work to be done was “real and important”. All those being sent would be well-trained and prepared for their roles and for contingencies.
U.S. to Join 4 Asia-Pacific Countries in Trade Pact Talks

The U.S. is negotiating with Singapore and three other countries on the investment and financial services chapters of a multilateral agreement.

Called the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP), its member countries are Singapore, Brunei, Chile and New Zealand. In addition to negotiating on the investment and financial services chapters, the U.S. is exploring the option of joining the full agreement.

Under the TPSEP, tariffs on 90 percent of trade in goods between the parties are eliminated immediately and tariffs on all trade products are eliminated within 12 years.

Said Trade and Industry Minister Lim Hng Kiang: “U.S. participation in TPSEP is a positive step that could pave the way for broader Asia-Pacific trade integration.”

Singapore, Abu Dhabi and U.S. Agree on Principles on Sovereign Wealth Funds

The U.S., Singapore and Abu Dhabi have jointly released principles for investments from sovereign wealth funds (SWFs) and recipient countries.

The new principles state that SWFs should commit to investing on a purely commercial basis. The recipient countries, in return, are asked to avoid putting up barriers to investment—a top concern for SWFs.

A joint statement containing the principles was released after a meeting on Mar 20 in Washington D.C. between U.S. Treasury Secretary Henry Paulson and his counterparts from Singapore and Abu Dhabi, as well as representatives from their SWFs.

Singapore was represented by Finance Minister Tharman Shanmugaratnam and Government of Singapore Investment Corporation (GIC) Deputy Chairman, Dr. Tony Tan.

“Singapore and the UAE have long-established, well-respected funds, and are showing real leadership by joining with us,” Mr. Paulson said in remarks after the meeting.

Singapore’s Ministry of Finance said that an open investment environment was “critical” in a globalised economy, noting: “We will continue to contribute proactively to international efforts on developing voluntary best practices.”

Singapore Makes Its Mark in Scientific Research

Singapore’s scientific productivity is among the top in the world despite having a smaller pool of resources compared with many leading centres in the U.S. or Europe, according to a study by publisher Wiley-Blackwell.

Singapore was found to have the highest number of research papers per thousand people at 1.41 in 2006, ahead of Canada (1.35), the UK (1.27) and the U.S (0.98). Singapore was also ahead of Germany, France, Italy and Japan.

Singapore also displayed greater visibility in international collaboration, with a total of 19,932 partnerships in 2006 as compared with 7,397 just six years before in 2000.

“Singapore’s research output is on track to reach, and then exceed, the world average in the next few years,” said Mr. Iain Craig, bibliometrics analyst with Wiley-Blackwell. “The country has definitely established itself as an essential collaboration partner for both regional and international research institutes”, he noted.

Singapore Gains Edge with One-stop Aviation Services

Singapore’s ability to offer a complete range of aviation maintenance, repair and overhaul (MRO) services has given it a winning edge in the region, according to Trade and Industry Minister Lim Hng Kiang.

Minister Lim’s comments were made at the groundbreaking of Pratt & Whitney’s US$30 million, 105,000 sq ft facility at the Seletar Aerospace Park, which will serve as the aerospace giant’s engineering headquarters for Asia when it is completed next year.

Pratt & Whitney’s breadth of capabilities means that an engine sent for overhaul can be repaired largely in Singapore, then re-delivered to the customer with minimum turnaround time and maximum efficiency. This reduces logistics cost for both Pratt & Whitney and its customer.

Minister Lim added that it was the capabilities of such Singapore-based firms that allowed the aerospace industry in Singapore to achieve recognition as the leader in Asia, accounting for 25 percent of the Asia-Pacific MRO market.

Other companies which recently announced increased investment in Singapore, include GE Aviation, which will pump in a further US$30 million to expand its GE Aviation Service Operation facility to 250,000 sq ft by mid-2009; and Nelco Products, a unit of U.S.-based firm Park Electrochemical, which has started a US$4 million facility to develop and manufacturing advanced composite materials for the Asian aerospace industry.

P&G Opens First Asia Perfume Plant in Singapore

Cosmetics giant Procter & Gamble (P&G) officially opened a fragrance manufacturing plant in Tuas, Singapore on March 5—its first in Asia. The 70,000 sq ft factory will make fragrances for P&G’s leading brands, including Pantene and Head & Shoulders shampoos, Olay skin moisturisers, Tide laundry detergents and Downy fabric softeners.

The plant was built in response to surging demand for perfume oils from its manufacturing operations in Asia, and Singapore had been picked from 18 possible sites in the region.

“Singapore is a natural choice. It embodies the essence of what successful companies look for—world-class infrastructure, a business-friendly environment and excellent local talent,” said Ms. Deborah Hemretta, the head of P&G’s Asian operations.

Minister of State (Trade and Industry) S. Iswaran said: “P&G’s investment reflects Singapore’s ‘robust regime’ for protecting intellectual property, as P&G will be using several patented technologies for the manufacturing processes in the new facility.”

By the end of 2008, P&G aims to make 100 different fragrances and reach an annual production level of 5 million kilograms of perfumes, with the Singapore facility projected to supply 10 percent of P&G’s perfumes.
California Kids Score with Singapore Mathematics Texts

In just one year, an elementary school in Los Angeles saw a 69 percent jump in the number of fifth-graders who achieved state standards in mathematics testing, simply by switching to Singaporean mathematics textbooks.

Ramona is one of a few schools in the U.S to have received a grant to introduce the Singapore curriculum.

California, by far the largest and most influential textbook buyer in the country, recently became the first state to include the Singapore series on its list of state-approved school texts.

The Singapore curriculum has been praised by U.S. mathematicians for being carefully thought out to reinforce patterns of mathematical thinking and instill a deep understanding of key concepts.

MIT Putting Down Roots at New Campus

Some 200 Massachusetts Institute of Technology (MIT)’s top minds will be heading to Singapore to join hands with local and regional researchers at a centre dubbed SMART—the Singapore-MIT Alliance for Research and Technology.

The effort is part of a S$1-billion experiment to entice the world’s best and brightest research minds to Singapore, under a National Research Foundation (NRF) scheme. For a start, infectious diseases as well as environmental sensing and modeling will be the topics of research.

SMART’s work will focus on research that cannot be conducted at MIT. Said MIT provost Rafael Reif: “In terms of the two research areas we’ve chosen so far, getting access to pathogens from the region and the facilities of environmental sensing labs are not available at MIT, which makes it very attractive to work here.”

U.S. Air Force Academy Teams Up With Nanyang Technological University

Singapore’s Nanyang Technological University (NTU) has signed an agreement with the U.S. Air Force Academy to share aerospace research.

Under the agreement, NTU and the Academy will cooperate in several areas, including space physics and satellite systems, aerodynamics, lasers and optics and problem-based learning.

Brigadier-General Dana Born, dean of faculty at the Academy, called the agreement “monumental” and said it not only underscores the friendship between the U.S. and Singapore, but marked the Academy’s first tie-up with a foreign university in its quest to offer its 4,000 students international exposure.

Similarly, Dr. Su Guaning, President of NTU, said the venture will help bridge the gap between the defense establishment and academia. “It unites two top educational and technological organisations and allows us to leverage our strengths and facilitate mutual learning”, he noted.

U.S. Award Named After Singapore Surgeon

The American Academy of Continuing Medical Education award for excellence in minimally invasive surgery is now called the Dr. Susan Lim Award for Advancement in Laparoscopic and Minimally Invasive Surgery, after a 52-year old Singaporean surgeon who had herself won the award in each of the last two years.

Dr. Lim, who has practised this kind of surgery in Singapore since 1990, was among the first in her field to use robot-assisted surgery. She said: “I was very excited that they chose me, a Singapore doctor. It helps to plug Singapore’s efforts of being a centre of global excellence in health care.”

Dr. Andrew Nashashibi, chair of the Academy’s international board, said he hoped that other doctors would be inspired to be as relentless in their pursuits and support for continuing education.
Roadmap to Make Singapore a Leading Eco-city

In 2009, a Singapore interministerial committee will release a 10-year roadmap which will outline plans for Singapore to become the leading eco-city in Asia.

National Development Minister Mah Bow Tan and Minister for the Environment and Water Resources Yaacob Ibrahim will co-chair the committee, which will outline plans for Singapore to grow its economy in an environmentally sound way and look at green solutions in transport, housing and industry.

Minister Mah said Singapore had already adopted ‘sustainable development’ principles since the start of nation building in the 1960s. “This was not out of choice but necessity, because of our small size and scarce resources. Now, Singapore’s strengths include integrated township planning and maximising land use, as well as breakthroughs in water and waste management.”

However, Minister Mah also stressed that this would not be at the expense of economic growth. “We need to remind ourselves that sustainable development is still about development... we will want growth and good jobs. Without economic growth, there would not be enough resources to invest in renewable energy or implement cuts in energy consumption.”

National Climate Change Strategy Launched

The Ministry of Environment and Water Resources unveiled Singapore’s National Climate Change Strategy (NCSS) on February 28.

The NCSS identifies energy efficiency as Singapore’s key strategy to mitigate greenhouse gas emissions, as well as reduce the cost of living and doing business.

It also states that the government will support industry, buildings, households and the transport sector to deploy appropriate technologies and ensure that consumers are aware of them, as well as incentives to encourage wider adoption.

To this end, a new Sustainable Energy Fund worth S$50 million (about US$36 million) will also be launched, to support various initiatives under the NCSS over the next five years.

The Ministry also announced that current green schemes, such as the Mandatory Energy Labelling Scheme for air-conditioners and refrigerators, will be extended to clothes dryers by April 2009 and possibly to lighting and water air-conditioners and refrigerators, will be extended to clothes dryers by April 2009 and possibly to lighting and water heating by 2010. Mandatory fuel-economy labelling will also be introduced for passenger cars from April 2009.

Singapore Sets Up R&D Centre for Solar Energy

The National University of Singapore (NUS) and the multi-agency Clean Energy Programme Office, managed by the Economic Development Board (EDB), has set up a new R&D centre to cement Singapore’s position as a serious solar energy player.

The Solar Energy Research Institute of Singapore will get S$130 million (about US$95 million) over the next five years. Professor Joachim Luther from Germany, outgoing head of the world-renowned Fraunhofer Institute for Solar Energy Systems, one of Europe’s leading solar energy R&D centres, will head the centre.

Prof Luther stated that his goal was to bring down the costs of harvesting solar energy by 50 to 70 percent through R&D. There will be three research focus areas: R&D in silicon-based solar cells to find more efficient ways of using silicon, novel photovoltaic devices and materials and innovative solutions for solar and energy efficient buildings.

The institute also expects to grow to 90 researchers, and produce 50 doctorates and 20 master’s students in five years.

Minister of State for Trade and Industry S. Iswaran, who was guest of honour at the launch, cited the event as yet another milestone in Singapore’s development of the clean energy ecosystem. “Successful R&D has been and will continue to be the differentiating factor between the success stories,” noted Mr. Iswaran.

The global solar market was estimated at US$30 billion last year and is projected to continue its strong growth rate to reach more than US$100 billion by 2011.

New Hub to Turn Green Ideas into Reality

The Nanyang Environment and Water Research Institute (Newri), which will pump money and brain power into green research in Singapore, was launched on March 19.

“Our mission is to meet industry demand”, said Professor Ng Wun Jern, executive director of Newri, which is located at the Nanyang Technological University. “We function as an ecosystem, with different entities working together to pursue a common vision of environmental research.”

In the last two years, international water companies such as Siemens and CH2M Hill, have set up shop in Singapore and helped to spur the demand for water-related research, including purification.

“The Government has earmarked research into green solutions as a pillar of economic growth. By tapping into a ‘wellspring of ideas for research’, the institute is an added boost to Singapore’s burgeoning water-related industry”, said Dr. Yaacob Ibrahim, the Minister for the Environment and Water Resources, at the launch.

Two new centres under the Newri banner were also launched at the same time—the Singapore Membrane Technology Centre and the DHI-NTU Water & Environment Research Centre and Education Hub.
Singapore Orchids Win in Miami

“Orchids in Harmony,” Singapore’s entry in the 19th World Orchid Conference, the world’s most significant of its kind, was a big winner.

The 50-square-metre display, a modern Asian interpretation of the courtyard garden, was awarded both the Gold Medal (International Display) and Best of Show (International Display) at the Conference, held in Miami, Florida in January. “Orchids in Harmony”, meant to reflect the diversity of multicultural Singapore, also bagged two other top awards for its design team, led by the National Parks Board in partnership with the Orchid Society of Southeast Asia.

Singapore will host the 20th World Orchid Conference, which is held every three years, in 2011.

“Orchids in Harmony” at the 19th World Orchid Conference

Studying Interactive Digital Media in California

Second Minister for Information, Communications and the Arts, Vivian Balakrishnan, led a study delegation from his ministry to California in January, to learn about the latest research and development trends in the interactive digital media (IDM) industry.

The delegation visited leading IDM companies involved in the creation of digital media content such as games and animation. These included Silicon Valley giants Google, Hewlett-Packard, IBM and Electronic Arts as well as NBC Universal, Warner Brothers Studios, Sony Pictures Imageworks and the University of Southern California in the Los Angeles area.

Singapore Flyer Becomes World’s Largest Observation Wheel

The world’s largest giant wheel, the Singapore Flyer, is the newest attraction in Singapore’s Marina Bay area. The 541-foot attraction—about 42 stories at its highest point—stands 98 feet taller than the world’s previous highest wheel, the UK’s London Eye.

The Singapore Flyer features 28 large capsules—or pods—that can carry up to 26 people each, and takes about half an hour to complete a revolution. On a clear day the view stretches across Singapore as well as into the neighboring countries, Malaysia and Indonesia. It is expected to draw 2.5 million people in its first year.
Economic Forecast at the Embassy

The University of Chicago’s Graduate School of Business held its Economic Forecast at the Singapore Embassy on March 19.

About 80 guests attended the event and had a lively discussion on the prospects for the U.S. and global economies with five panellists of wide-ranging backgrounds: Fred Malek, founder and Chairman of Thayer Capital Partners and a distinguished former public servant; Bernard Aronson, founding partner of Acon Investments; Steve Clemons, Senior Fellow and Director of the New America Foundation; Edward Luttwak, senior associate of the Center for Strategic and International Studies, as well as Ng Wai Choong, Deputy Secretary of the Singapore Finance Ministry, who also gave a presentation on the Singapore economy. The panel was moderated by Karen Gibbs, a noted business television anchor and correspondent.

The University of Chicago’s Graduate School of Business has operated an Asian campus in Singapore which offers its top-ranked Executive MBA programme since 2000, with 92 students from 27 countries in the last intake. Its campus will relocate to a bigger facility in the summer of 2009, providing an opportunity for more programs from the University to be offered in Singapore. The University itself had also announced plans, in conjunction with the Stevanovich Research Center, to establish a Financial Mathematics Graduate Programme and Collaborative Research Initiative in Singapore.