

PRIME MINISTER LEE HSIEN LOONG'S NEW YEAR MESSAGE 2010

Pulling Through a Difficult Year

1. This has been a volatile year for our economy. In the first quarter our trade plunged by a third, and GDP fell 10%. Other countries were similarly affected. Things looked bleak everywhere, and Singapore's own prospects were deeply worrying. Then in April, an initially menacing H1N1 pandemic added to our concerns.

2. We responded vigorously to this unprecedented crisis. The Government focused on keeping people in jobs, and helping workers who lost their jobs to find new ones. In December 2008, the tripartite partners jointly launched the Skills Programme for Upgrading and Resilience (SPUR). Since then, almost 170,000 workers have been trained under the programme. SPUR was followed by the Resilience Package in an early Budget. Two major programmes – the Jobs Credit and Special Risk-Sharing Initiative – helped to keep viable companies afloat and save jobs.

3. The unions, employers and the Government worked hand-in-hand to keep unemployment under control. In fact, resident employment went up by 20,000 in the first three quarters of 2009, even as the number of foreign workers declined by 20,000.

4. Grassroots and community organisations played critical roles as well. They helped retrenched workers get back on their feet and took care of families in difficulties. We came through because we stood together against the storm, helped our fellow citizens in need and responded resolutely to the challenges that came our way.

5. Today, the situation looks brighter. Worldwide, economies have stabilised. The US, Japan and Europe are starting to grow again, although problems remain and no one expects an exuberant boom. Our economy is growing again, and has recovered much of the ground since the recession began last year. Our fourth quarter growth is 3.5%, although for the whole year our growth is still negative, at -2.1%. Considering the anxious moments at the depth of the crisis, our subsequent recovery is something to take heart from.

Preparing for the Post-Crisis World

6. Next year we are expecting 3-5% growth. Given the improved outlook, we are gradually phasing out the special measures – the Jobs Credit and Special Risk-Sharing Initiative. We continue to track the short term economic trends closely, but we must focus beyond the crisis to secure Singapore's long term position.

7. Asia is expected to resume its rapid growth. This will create many new opportunities for us, but in a more competitive landscape. Singapore must therefore think ahead, and prepare for the post-crisis world. Only then can we carve a role for ourselves amidst the Asian economic giants, and tap on their progress and vibrancy.

8. We are making major investments in capabilities and infra-structure. The new Marina Bay is taking shape day-by-day. Our two Integrated Resorts will start welcoming visitors next year, and the unique Gardens by the Bay should be ready by the end of 2011. We are extending existing MRT lines and building new ones, as well as developing new HDB townships like Punggol 21 and Dawson estate. We are starting two new tertiary institutions to expand opportunities for our young: the Singapore University of Technology and Design, and the Singapore Institute of Technology.

9. We must also address our growth constraints. Our physical limits are getting tighter. We are reclaiming more land from the sea, but we cannot expand our land area beyond our international boundary, which will not be affected by our reclamation works. We also have to provide space for our port and for ships to sail through our waters. We need the many foreign workers who work here, to build HDB flats and MRT lines, to work in factories especially on late shifts, and to help man the IRs. But we cannot bring in unlimited numbers of foreign workers in order to grow our economy.

Transforming the Singapore Economy

10. We must therefore shift gears, to grow by qualitative improvement: transforming the economy, developing skills and growing talent, both our own and from abroad.

11. Companies must find new ways to add value. They must not only do things more efficiently, but restructure their businesses as conditions change, and venture into new and promising areas. They have to continually improve their operations and productivity, innovate relentlessly and build the capabilities to grow into world-beating companies. Government policies and incentives will help them to succeed.

12. Workers will need to up-skill, re-skill and multi-skill. They must be flexible, willing to adapt to changed conditions, and take on new jobs as conditions change. Earlier this year, when job prospects were uncertain, workers took skills upgrading seriously. Now that job prospects have improved, workers must not think that this is no longer urgent. Older workers should also carry on working for as long as they can; one encouraging sign through this crisis is that employment rates for older workers stayed high.

13. Unions are helping workers to upgrade and adjust to the new world. They know that the best way to protect workers is to give them the right skills to remain productive and employable, and ensure that their companies stay competitive internationally.

14. Employers too must help in this task. They should make the most of the Government's support schemes, invest in their workers' capabilities and reward them fairly for their efforts and improved skills.

15. The Government's first responsibility is to Singaporeans. We will manage and moderate the inflow of foreign workers, so that Singaporeans are not overwhelmed by the sheer numbers. But we must continue to welcome hardworking, enterprising people to our shores. We need them both to expand our talent pool and help Singapore to prosper, as well as to top up our own population and make up for our low birth rates.

16. We must also transcend our domestic constraints by growing our external wing. Our companies are investing and expanding in the region – building water treatment plants, developing integrated townships, operating telecommunications and power businesses. Smaller firms are also venturing abroad with some success. We should encourage these moves. This is an important reason why we must keep our economy open – so that others will keep their economies open for Singaporeans.

17. We aim to grow the economy and sustain good jobs, so that all citizens can share in the benefits. In terms of total Gross Domestic Product or GDP, our economy will likely expand more slowly than before. But we must make up for this, firstly by growing our Gross National Product or GNP, which means expanding our external wing; and secondly by focusing on raising per capita

income, through up-skilling and economic upgrading. That way Singapore can continue to prosper and every Singaporean can look forward to a better life.

Responding to Climate Change

18. As we transform our economy, we will also have to deal with new long term issues. One of these is climate change. Mankind needs to reduce carbon emissions and slow down global warming. At the Copenhagen meeting, countries missed the chance to make significant progress towards a global agreement. But we expect renewed efforts to forge such agreement in the coming months, based on the Copenhagen Accord.

19. Singapore must shoulder our share of this global effort. We have committed to cut Singapore's carbon emissions by 16% below business as usual (BAU) levels by 2020, provided there is a global agreement. This is not a light commitment. Achieving it will require all households, firms, and the economy to make significant adjustments.

20. Our lifestyles must change, for example by driving less and relying more on public transport. Buildings must become more energy efficient, for example through improved insulation and more efficient air conditioning. Industries, especially those with energy intensive operations, must find ways to produce more output with less energy. Over time our economic structure must evolve to require less energy inputs.

21. The Government will implement comprehensive policies to curb emissions. We will need a combination of regulations, price signals and fiscal incentives. We will phase them in progressively, to give everyone time to adjust, and match them with appropriate offsetting measures. Wherever possible we will lighten the burden on households and businesses, and help them to adjust to a low-carbon world.

Conclusion

22. These are not one-off measures, but long term goals that we will implement over several years. Singaporeans should be prepared for these changes to come. The Economic Strategies Committee is reviewing our longer-term strategies for growth, and will propose policies to achieve our full potential. It will publish its main recommendations soon, which the Government will respond to in the coming Budget.

23. This transformation will not be easy, but I am confident we can succeed. Our history has been one of overcoming difficult odds to survive and prosper. We have got here by being an extraordinary nation. What sets us apart from other countries is our steadfastness in the face of crisis, our commitment to deliver what we aim to do, and most of all our spirit of meeting challenges as one people.

24. We showed this when we hosted the APEC Leaders' Meeting in November. It was a massive effort, with 8,000 visitors and 20 Leaders in town. Strict security was inevitable, but we minimised the inconvenience to Singaporeans and delegates, while avoiding the demonstrations and violent protests now common at international forums. The private sector made valuable contributions. So did 1,000 volunteers, who poured heart and soul into their varied tasks, taking care of the visitors and ensuring that the events went on smoothly.

25. The Meeting was a success. The Leaders, officials and media were impressed not just with our efficiency, but with the warmth and spirit of Singaporeans. Singaporeans deserve a big thank you for a job well done.

26. We demonstrated this again at the recent SEA Games, when Singapore won 98 medals, including 33 golds. We performed well by bringing together varied talents to build the best Team Singapore, and training harder, playing smarter and cooperating better with one another. I congratulate our athletes and coaches for their excellent show.

27. Singapore's prospects are good. We are at the centre of a dynamic region, our economy is strong and well-tuned, and our people are talented and hardworking. Our policies are sound and we have the courage to do the right things. If we all give of our best, and stay united to meet the challenges ahead, we can be confident of a bright future in the post-crisis world.

28. I wish all Singaporeans a Very Happy New Year.