Deeper tests lurk beyond current storm: Hng Kiang

By TEH SHI NING

[SINGAPORE] The gloomy short-term outlook for the economy should not cloud out the longer-term challenges Singapore will face in sustaining economic growth, Minister of Trade and Industry Lim Hng Kiang said yesterday.

Addressing university students and academics at an NUS-MTI economic dialogue, Mr Lim spoke of how textbook economics’ trade-offs mean that actual policy is formulated on a few guiding principles, such as a “pro-business environment and strong and stable macro fundamentals”, rather than clear-cut answers.

He identified energy as an emerging challenge for Singapore, and an area of policy with such trade-offs. “Ideally, we want to achieve a balance between economic competitiveness, environmental sustainability and energy security,” he said. “This is not an easy feat”, given Singapore’s dependency on energy-intensive industries, such as petrochemicals and electronics, on one hand, and its limited energy options, on the other, he added.

Land is another limited resource. “We cannot keep reclaiming land from the sea,” Mr Lim said, challenging economists to apply robust cost-benefit analyses to new demands for land allocation in the long term.

He added that Singapore’s lack of land and labour, and capital’s diminishing returns, make it crucial for productivity of these resources to be upped through channels such as innovation, entrepreneurship, creativity and technology.

“The challenge therefore lies in developing an environment that facilitates and encourages these activities,” he said.

Also addressed yesterday was the issue of Singapore’s growing income inequality, as evidenced by its rising Gini coefficient. Yet another long-term challenge, Mr Lim said, “lies in ensuring that the benefits of growth spread to all Singaporeans while mitigating the downside effects of restructuring”.

At the dialogue, chaired by Ravi Menon, second permanent secretary of the Ministry of Trade and Industry (MTI), students exchanged views on monetary policy, the impact of demographics, the CPF scheme and the current financial meltdown with the panelists – NUS associate professor Chia Ngee Choon, director at Standard & Poor’s Tan Kim Eng and MTI research economist Thia Jang Ping.

At last night’s event, Mr Lim also presented the MTI-Economist Service Best Thesis Award to Dorecas Low for her thesis on annuity schemes in Singapore, and the MTI-ES Book Prize to Koh Wei Ning.