

## 2017 BUDGET DEBATE

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### **Topic: Transforming the Singapore economy amidst adversity into another success**

Madam Speaker, Members of Parliament, good afternoon! Today, my topic is: Successfully transforming the Singapore economy amidst adversity.

To complement the Committee of the Future Economy's mid- and long-term strategies, this year's Budget has unveiled some concrete solutions, centred on the emphasis of innovation, digital economy and internationalisation, in building up Singapore's mid- to long-term core competitiveness. This is a far-sighted approach.

After the Budget announcement, I heard much business feedback. Their greater concern was on short-term measures, especially as some related industries immediately felt the impact of the announcement on water price increases, and increase of diesel taxes. Water costs affects millions of users, and would have an impact on every industry. The government has decided to raise water tariffs to ensure the sustainability of our supply, and to defray the costs of building Newater plants, desalination plants, and the operational costs of water supply. But businesses feel that infrastructure is part of public service, and the government should not compute this on a commercial basis.

The major concern of businesses are operational costs, while the government's concern is the nation's mid- to long-term competitiveness. How a balance may be achieved is most worrisome. Currently, Singapore's external business environment is changing. Countries which were previously more advanced than we were, are becoming even less expensive; countries which were less expensive than we were, have become more advanced. Our Singaporean enterprises have to innovate boldly in order to adapt to this new business environment.

The government encourages enterprises to innovate and embark on internationalisation. This is the right approach. At the same time, businesses also hope that the government could use a new mindset

to plan government expenditures. Going forward, there are still many areas that need expenditure – like social development, health, the environment, national defence, foreign affairs and others. In order to increase revenue, the government is likely to continue to adjust other taxes.

Let us look at the numbers. In 2011, the government’s total expenditure was \$46.6 billion, and by 2017 it had increased to \$75.1 billion, which is more than 60%. Government’s income is derived from two sources, one being taxes and fees, and another is the government’s investment returns. The economic outlook is not as rosy in the days ahead, and if businesses are unable to raise their competitiveness and increase their profits, tax returns will also not rise. Similarly, the government’s investments are inextricably linked to the economic situation. If the economy is bearish, then there would be no magical formula to turn stone into gold.

Two idioms come to mind. One is “broaden the sources of income and cut costs” and the other is “live within our means”. The meaning of the first idiom is to increase income and save on spending. As for the second idiom, it refers to deciding on one’s spending based on your income. The saying goes that “Men do not worry about the future, but will definitely be troubled about present problems.” Presently, both domestic and external factors need to be considered.

The domestic factor is that for many years now, we keep increasing the budget expenditure on certain areas, and the results cannot be seen. Now, should we not begin to review if this way of spending is right? Just because it was correct before does not mean it is correct now. Our thinking should not be based on what we are used to. We should avoid “being blinded by group-think”, and here I borrow from Minister Chan Chun Sing’s point of view.

The external factors are: currently, a trade protectionist wave is emerging globally, and this wave is becoming increasingly stronger. Hence, we should prepare ourselves to address this adversity. Given the unpredictability of the external environment, not increasing business costs, maintaining Singapore enterprises’ competitiveness, strengthening the profitability of enterprises, would mean increasing the national revenue.

Madam Speaker, adversity is not alarming. Compared to more than 50 years ago, Singapore is overall much stronger than before. We have advanced infrastructure, top-class port and airport, an extensive network of submarine cables, and a comprehensive financial, legal and educational system. Many MNCs have set up their regional headquarters in Singapore. Our own enterprises should also use Singapore as their regional headquarters and venture overseas boldly. The government should give the utmost support to those local enterprises which have the gumption and willingness to do so, be they traditional industries or newly emerging industries. Not one must be left behind.

Hence I hope the government would do its best to alleviate business costs. Having said that, businesses should also review the internal factors of their operational problems, whether these pertain to product quality or service standards, or if their business model cannot keep up with changes in the environment. During this period of economic restructuring, businesses, particularly Chambers and trade associations, need to step up in their role more pro-actively. They should work very closely with the government, based on the actual circumstances of each industry. Everyone should come together to think of ways to revive and promote the Singapore spirit - so prevalent during the period of nation-building – the spirit of overcoming adversity and heading towards success!