



NEW

HORIZONS

Global and Regional Strategies for Singapore's Future

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Introduction

We write this Report to offer views about Singapore's future growth strategies and do so at considerable risk of being proven wrong. 2020 was a most unusual year for the world and for Singapore. While 2021 has seen promising signs of recovery, the impacts of the COVID-19 pandemic are not over.

New highly transmissible COVID-19 variants are spreading around the world, including in Asian countries that have weathered previous waves of infection quite well. Although vaccinations are now available, the efficacy of existing vaccines may be weakened because of virus mutations. There are also insufficient assurances that there will be equitable global access to vaccinations. Some countries are already administering third doses as boosters, while other nations are still struggling to deliver first doses to their populations. Beyond the health impacts, the economic effects of the pandemic have been vast and deep, and to many, even more disruptive. The global economy plummeted sharply in 2020, with the largest decline since the Great Depression and outsized impacts on international trade and travel. The pandemic has also stressed social systems with increased inequality and division. In response, financial institutions of the largest economies have released a flood of credit and capital that, while helping prevent immediate collapse, are causing asset prices in some markets, segments, and companies to soar to unprecedented levels and portend future challenges.

These global circumstances have been extremely testing for a small and open economy like Singapore. As our government leaders have sought to respond, their perspectives may be summarised in three phrases, adopted and adapted from concerns in the international community. The first, by Prime Minister Lee Hsien Loong is that "no country is truly safe until all of us are safe".¹ The second, also used by PM Lee as well as DPM Heng Swee Keat and the younger government leaders, is to recognise the situation as the "crisis of a generation".² Third, President Halimah Yacob has said we are in "an era of volatility, uncertainty, and disruption in people's lives", noting that people will need greater social support than before in the aftermath of COVID-19.³ These statements do not strike us as hyperbole.

Singapore's economy contracted by 5.4 per cent in 2020, a more severe slump than the overall global recession. The construction, transport, accommodation, and food and beverage sectors suffered the sharpest declines. Only the finance, communications, and manufacturing sectors saw positive growth in 2020.⁴ In response, the Singapore government committed nearly S\$100 billion in support via five emergency budgets, with 2020 seeing the largest budget deficit since Singapore's independence.⁵ These measures cushioned the impacts domestically for many companies and citizens.

Looking forward, it is now projected that Singapore may achieve 6 to 7 per cent growth in 2021, higher than earlier estimates. Singapore's economic rebound has been assisted by strong external demand driven by the world's largest economies. The USA, now under President Biden, is seeing elevated consumption as a result of its fiscal stimulus. China's economy is expected to slow in the second half of this year, but the country's full year growth is still widely expected to exceed 8 per cent in 2021. The Eurozone is also recovering strongly. However, COVID-19 cases are continuing to rise globally, and growth could be stalled if the situation worsens.

The world remains in flux, with many factors that are beyond Singapore's control. In the middle of a storm, the view of the horizon may be obscured, and it is hard to see what is ahead and which is the best path to get there. The pessimist complains about the storm and wind, and the optimist hopes that the conditions might change. It is perhaps the realist who sees that what he can and must do is to adjust the sails and direction.

In his National Day Rally 2021 speech, PM Lee said that Singapore must now refocus on reopening the economy and reconnecting to the world: “Now, we must change gears. It is no longer about drawing down reserves to keep ourselves on life support. It is about generating new growth, new jobs, and prosperity for the future.”

As an open economy, Singapore’s prosperity has always been highly dependent on global factors. Trying to read and respond early to emerging changes and new realities has therefore been key. The Singapore government has recognised this need by appointing the Emerging Stronger Taskforce (EST) to find new ways to drive the economy forward and future-proof our businesses and livelihoods.

In parallel with the EST, the SIIA has served as a knowledge partner, to offer our analyses and also to organise a series of dialogues – both public and closed-door – to consider key topics including global trends, the economic prospects of our region, and issues relating to sustainability. In November 2020, the SIIA submitted our confidential report to the EST to provide our independent input for their consideration.

This current Report extends our efforts to consider strategies for the future for Singapore. But it differs from our earlier confidential report in several key ways. First, it is tailored for public consideration. Second, while the earlier report provided input as knowledge partner to the EST during its deliberations, this public report is issued following the public release of the EST’s own recommendations to the Singapore government.

As such, a third difference is that in this public report, rather than recapping the EST recommendations, we have focused on what is additional or different, and perhaps more forward-leaning. We have also focused on global and regional engagement, rather than on Singapore’s own domestic issues, as befits the remit of the SIIA think tank that has supported the work on this Report.

This Report summarises our analysis and recommendations regarding post-COVID-19 strategies for Singapore. In the first section, we consider the health and economic impacts of the pandemic, as well as global trends that have accelerated due to the crisis, and the implications for Singapore. In the second section, we argue for a suite of strategies that, while not startlingly new, can in combination be seen to represent a sea change for Singapore. In the third section, we provide more specific recommendations for policies, actions, and institutions.

Inputs have come from dialogues with leading private sector companies held under the SIIA’s “New Horizons” programme. Others are drawn from the SIIA’s own key policy work, especially on ASEAN and on sustainability. The EST co-chairs have encouraged this work, acknowledging that the government task force does not have a “monopoly of ideas”, and hope to tap upon “collective wisdom and experiences”. We hope that the ideas and recommendations presented here might be part of a broad public conversation about our future.

The aim of the government is for Singapore to “emerge stronger”. To this, we agree, and add the hopes of also being “better”, “greener” and “together”. Domestically, the aim for Singapore is to enhance our trust and bonds as a society and build a new social compact. To this, we also agree, and add that Singapore should redouble our engagement with key partners globally, especially in our region.

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1. A New Phase in a Continuing Crisis

The impacts of the COVID-19 pandemic have been catastrophic, with some 217 million reported cases and 4.51 million deaths worldwide as of 31 August 2021. During the first wave of the pandemic, lockdowns and border closures caused pandemonium, affecting both supply chains and the movement of people. The crisis is far from over. COVID-19 cases are continuing to increase sharply due to the spread of highly infectious variants.

“The COVID-19 pandemic... has plunged the world into the crisis of a generation... The post-COVID-19 world will therefore be very different, and we must re-double our efforts to prepare our workers and businesses for this future.”

DPM Heng Swee Keat at the Future Economy Council meeting on 30 April 2021

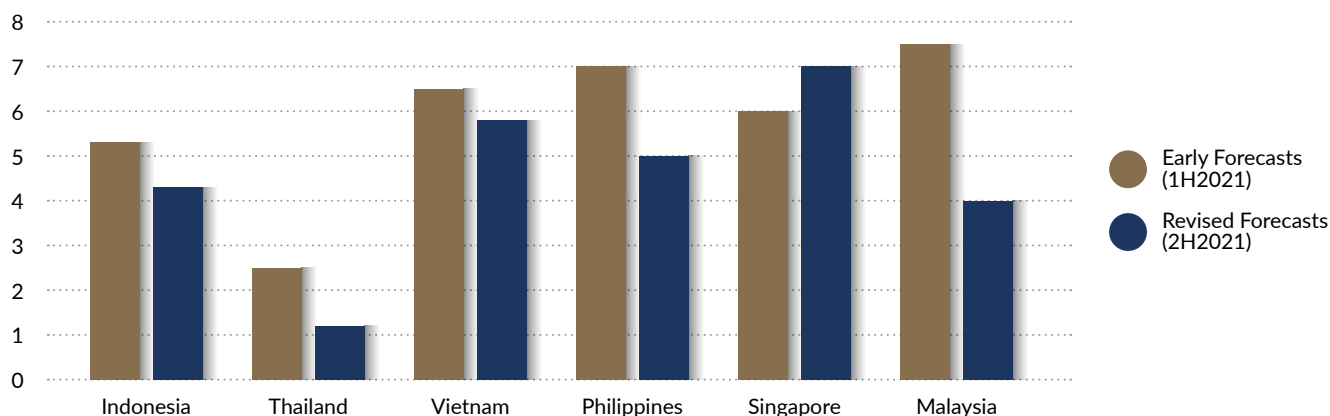
Vaccinations have begun in many countries, but COVID-19 vaccine manufacturers are still struggling to meet global demand. At the same time, vaccine hesitancy is threatening efforts to achieve herd immunity. Inoculating the world's population will take time, especially in developing countries and more remote communities. Unfortunately, vaccines will not be a cure-all – not only in terms of the health issues, but even more in the realms of the economy, politics, and society.

The COVID-19 pandemic has put extreme pressure on the global economy. The International Monetary Fund (IMF) estimates the global economy shrunk by 4.4 per cent in 2020, making it the worst recession since the Great Depression in the 1930s. Collectively, governments around the world spent some US\$12 trillion (S\$16.2 trillion) in emergency budgets and stimulus packages over the course of 2020, pushing global public debt to an all-time high.⁶

Yet even as the crisis continues, we do see the world entering a new phase. The pandemic has accelerated a number of global changes that were already underway previously:

Economic Rebound: The continued rise in COVID-19 cases and slower-than-expected vaccine rollouts in many countries have affected economic sentiments in 2021. However, the world's major economies are still seeing a bounce back to growth, including the USA, China, and the Eurozone, which is driving global demand.⁷ In East Asia and Southeast Asia, countries were generally able to manage the first wave of the pandemic better in comparison with other regions, but the current surge in Delta variant cases has proven more problematic. That said, the region's economic fundamentals remain strong, and there is reason to believe the region can return to growth in the medium term.

Figure 1: Vaccine Rollouts and New COVID-19 Cases – Impact on ASEAN GDP Growth Forecasts for 2021



Sources: Official forecasts and ADB forecast for revised Vietnam growth

Divergence of Growth: Although some countries are bouncing back on the back of successful COVID-19 vaccine rollouts, the IMF has warned that this will be an extremely uneven recovery. Within the Association of Southeast Asian Nations (ASEAN), Singapore has revised its 2021 GDP growth forecast upwards since the start of the year, but most of the region has had to moderate their expectations. Most ASEAN economies are still projecting a return to positive growth in 2021, but some sectors within economies may see lasting business closures and job losses arising from the pandemic.

Changing Global Order: The Sino-American tensions are persisting, with the new Biden administration continuing to treat China as a strategic competitor. A mix of incentives, disincentives and bully-boy tactics are making global supply chains more complex. There are active efforts underway to influence businesses to relocate supply chains within or nearer their home countries, and consequently to leave out particular economies, especially China. This shift is motivated both by protectionist sentiment as well as concerns over resilience. The pandemic has led to shortages in critical goods such as semiconductors. The emerging wisdom is now to secure a nation’s own supply of essential goods and have a diversity of options in a nation’s supply chain. Efficiency, competitiveness, the freedom of markets, and the international rules-based order have been impacted. Although the world is seeing a retreat from globalisation, we believe global connections are still necessary and possible – but they have become more complex, difficult, and uneven. New ways of working are emerging, but not always with universally agreed rules.

Rise of the Digital Economy: The pandemic has hastened the adoption of digital technology by governments, companies, and consumers. Technology has proven critical in helping manage the pandemic. Amidst lockdowns and other restrictions, digital interaction and ways of working were widely adopted, mainstreaming remote working, e-commerce, and mobile banking. Digitalisation plans have gone from “nice-to-have” to “must-have” for companies. However, the Sino-American tensions are also impacting technology deeply, affecting supply chains for manufacturing and creating long-term implications for the interoperability of different systems.

Shift towards Sustainable Growth: COVID-19 has increased awareness about the need to prepare for other global crises, particularly climate change. Many are now calling for green recovery in the wake of the pandemic, with heavy emphasis on building back not just stronger, but better. The European Union (EU) has pledged a sum of €550 billion (\$880 billion) to green initiatives, making up some 30 per cent of its 2021-2027 budget and COVID-19 recovery fund. In Asia, China, Japan, and South Korea made net zero commitments over the course of 2020. Under the Biden administration, the USA has likewise indicated that climate action will be a priority. In this context, there will be more emphasis on reorganising how we live, work, travel, and manage supply chains, not only for resilience and access, but also sustainability. To fund the sustainable infrastructure of the future, new capital sources and mechanisms will be needed, with implications for the financial sector.

How should Singapore position ourselves amidst these and other shifts?

2. Reactions, Responses, and Next Strategies

As a highly-connected economy dependent on our links to the region and the world, Singapore has been heavily affected by the health and economic crises, as well as the above global shifts. In responding to these challenges, like all countries, Singapore must give first priority to the needs within its borders, especially to the health, well-being and security of our citizens.

However, being open to the world and to our region is not necessarily contrary to efforts to protect and strengthen Singapore and Singaporeans. We gain from being open and engaged, and will further gain from redoubling efforts to connect with other economies, as the world recovers from COVID-19.

“It is not just our policies which have to be outward and forward looking, but also our mindsets and values as a people, to look beyond our shores, to welcome ideas and talent and to accept competition and change.”

PM Lee Hsien Loong at the National Day Rally on 29 August 2021

Singapore has developed significant capabilities over decades of growth and development. There are also strategies which emerged pre-pandemic that can position Singapore well for the future. These can be further developed.

Accelerating our Global-Asia Node: Amid global uncertainty, Singapore must not only maintain but work to strengthen our position as a Global-Asia node and regional hub. In 2018, the Singapore government set out a vision of Singapore as a node of technology, innovation, and enterprise, serving as a launch pad for multinationals and regional corporates to access Asia, and for Asian enterprises to go global. In this vision, Singapore is not merely seen as a gateway for global companies to enter ASEAN, but as a two-way link and partner.

In light of shifts in global supply chains and Sino-American tensions, Singapore’s connections to both major economies and the ASEAN region must be redoubled. For instance, Chinese tech giants such as Huawei and Bytedance are now expanding their offices in Singapore, alongside their American rivals, such as Google, which already use Singapore as a regional base for the ASEAN market. Singapore can gain by increasing our value to all sides. There are areas where Singapore’s role as a regional headquarters for MNCs can be enhanced. In services and high-value manufacturing, Singapore can add value by anchoring parts of supply chains to Singapore’s domestic sectors. Singapore can also serve as a living lab and regulatory sandbox to testbed and co-create new technologies with foreign companies, increasing our competitiveness in emerging fields.

While many of Singapore’s recovery initiatives are focused on attracting foreign businesses and investors to Singapore, it is equally crucial to encourage these companies to site elements of their value chains in ASEAN. Some parts of the supply chain can and should go elsewhere, including production that requires more labour, land, and resources that are scarce in Singapore.

The web of trade and investment agreements that link Singapore to economic partners can be reviewed to deepen commitments to integration, and expanded to address new areas, especially in the digital economy and in logistics.

Beyond ties with developed Western economies such as the USA and EU, additional efforts must be undertaken to deepen engagement with the major Asian economies of China, Japan, and South Korea, each of which have major and growing presences in ASEAN. Regional integration is not a substitute for globalisation, but it is a complement to Singapore's efforts to build global links.

“Amid global uncertainty, Singapore must not only maintain but work to strengthen our position as a Global-Asia node and regional hub.”

Trusted and Preferred Partner to ASEAN: There are many needs and opportunities across the region where Singaporean capacities and strengths can assist ASEAN neighbours and further integrate the region. The ASEAN Comprehensive Recovery Framework (ACRF), adopted by leaders at the ASEAN Summit on 12 November 2020, guides collective action as the region emerges from the pandemic. An ACRF Support Unit has been established at the ASEAN Secretariat to support the effective implementation of the ACRF. Priorities identified in the ACRF include digital transformation and sustainability, which synergise strongly with Singapore's national initiatives. Infrastructure is also needed as a backbone to connect ASEAN and is a sector that links to Singapore's future strategies. We will discuss specific recommendations in the third section of this Report.

For the present, we wish to emphasise the broader need to take partnerships in the region to the next stage. We are calling for efforts to be made at the government, business, and individual levels. Singapore has a vested interest in forging collaborative win-win partnerships in ASEAN and contributing to the region's collective recovery from COVID-19, not only for humanitarian reasons, but for pragmatic ones. This can cement Singapore's role as a trusted and preferred partner and regional hub.⁸

Deepening Bilateral Partnerships: While ASEAN as a whole is important, Singapore should identify and deepen ties with specific ASEAN neighbours and in specific sectors. In our view, two of our neighbours, Indonesia and Vietnam, can be key partners. These countries have large markets and were doing well prior to the pandemic. Both currently have relatively stable and reform minded governments, and projections for 2021 foresee their recovery.⁹ While the surge in COVID-19 infections caused by the Delta variant has dampened prospects in the short run, long-term fundamentals remain strong. Indonesia expects 3.5 to 4.3 per cent growth in 2021, while Vietnam projects 6.5 per cent growth in 2021. Singapore remained the lead foreign investor in both these economies over the course of 2020 even as others tightened their belts, and ties can grow further.

Government to government ties between Singapore and Indonesia, as well as Singapore and Vietnam, are strong. But Singaporean capabilities to understand and engage with these partners can be increased. To enable more Singaporeans to manage operations and work in these countries, education and training should be re-gearred to encourage Singaporeans to have better exposure to the culture, history, and languages of our region, and to better understand their perspectives. In addition to being globally-capable, our people should be ASEAN-ready.

Correspondingly, Singapore can and should, in collaboration with partner governments, help upskill the workforce of these countries and attract higher value global supply chains to invest in these countries. Providing skills training is a key step to deepen our engagement in the region. Such upskilling can be carried out in partnership with businesses located in Singapore's industrial estates, and in tandem with other investments and infrastructure projects where Singapore is a partner.

“In addition to being globally-capable, our people should be ASEAN-ready.”



Indonesia

2020 GDP Growth	-2.07%
2021 GDP Growth (Projected)	3.5% to 4.3%
Pandemic Situation	<ul style="list-style-type: none"> Recorded more than 1.2 million new cases in July 2021, surpassing India and Brazil as the pandemic's epicentre 12.85% of population fully vaccinated as of early September 2021 Accelerating vaccination drive to administer up to 2.5 million doses a day by September, eventually targeting 5 million a day
Emergency Measures	<ul style="list-style-type: none"> US\$51 bn (S\$68.4 bn) economic stimulus in 2020 US\$2.5 bn (S\$3.4 bn) for vaccine procurement Postponement of credit and leasing payments to banks
Key Reforms	<ul style="list-style-type: none"> Job Creation Act (Omnibus Law) passed in October 2020, includes labour reforms, lowering of corporate tax, lifting of some restrictions on foreign investment, and establishing a sovereign wealth fund
Prospects	<ul style="list-style-type: none"> Infrastructure remains a key priority, making up the largest allocation in Indonesia's 2021 budget Indonesia is creating a national framework for carbon trading Internet penetration rose by 16.5% from 2019 to 2020, highlighting the digital economy's potential. A report from Indonesia's Ministry of Finance and the ADB suggests this could add US\$2.8 trillion to the economy by 2040



Vietnam

2020 GDP Growth	2.9%
2021 GDP Growth (Projected)	Official estimate remains at 6.5%, the ADB has lowered its forecast to 5.8%
Pandemic Situation	<ul style="list-style-type: none"> 2.57% fully vaccinated, 14.94% partially vaccinated, as of early September 2021 Major clusters in Ho Chi Minh City and industrial provinces Vietnam is facing a vaccine supply shortage, but is working on homegrown COVID-19 vaccines such as Nanocovax
Emergency Measures	<ul style="list-style-type: none"> US\$12 bn (S\$16.1 bn) credit support and fiscal package US\$1.16 bn (S\$1.56 bn) assistance for companies US\$1.14 bn (S\$1.53 bn) support for workers in industrial and export processing zones
Key Reforms	<ul style="list-style-type: none"> Law on Investment 2020 adopted in June 2020, lifting some restrictions on foreign investment, adding investment support and incentives. New labour code also adopted, increasing retirement age
Prospects	<ul style="list-style-type: none"> Vietnam plays an important role in global supply chains, especially in the context of ongoing Sino-American trade tensions. If Vietnam can keep COVID-19 under control, its industrial zones will be able to recover Vietnam aims for the digital economy to make up 20% of GDP by 2025, and 30% of GDP by 2030 While FDI has dipped in the first half of 2021, Vietnam remains a strong investment destination. UNCTAD's World Investment Report 2021 ranked Vietnam as the 19th top host economy for FDI inflows, ahead of Japan - the first time Vietnam has placed in the top 20

Sustainability and Climate Action: The Singapore government has announced the Singapore Green Plan 2030, building on the early DNA of the country, with the aim of bringing in the private sector and citizens to participate and contribute. This initiative should not just be seen as enhancing environmental protection but in terms of economic transformation; not only as a matter of risk and regulation, but also as a source of opportunities. Sustainability is therefore not only a sector of growth but a cross-cutting strategy of central importance for the future economy as a whole.¹⁰

Moreover, as a regional hub, the sustainability efforts and initiatives we undertake in Singapore should also facilitate collaborations and partnerships with the region. Leveraging our capabilities in finance, technology, training, and know-how, the push to promote sustainability has potential for a far greater breadth of opportunities and increased scale for our businesses and people.¹¹

Building Sustainable Infrastructure – Smart City Projects in Singapore’s Living Lab



Ports

PSA Singapore Terminals: Electrification and automation of cranes and ground vehicles.
Jurong Port: 9.65 megawatt-peak rooftop solar photovoltaic system used for port operations.



Office Buildings

Keppel Bay Tower: First commercial building in Singapore to achieve net zero energy consumption. Uses rooftop solar photovoltaic panels for power, with smart technology to control lighting and air distribution. Water-based cooling systems reduce energy usage from air-conditioning.



Shopping Malls

City Square Mall: “Eco-Mall” incorporating energy-saving technologies. High-efficiency air-conditioners use less electricity, and condensate water from the air-conditioning system is recycled. Roof of mall allows natural light to pass through. Sensors throughout building adjust lighting as necessary to save power.

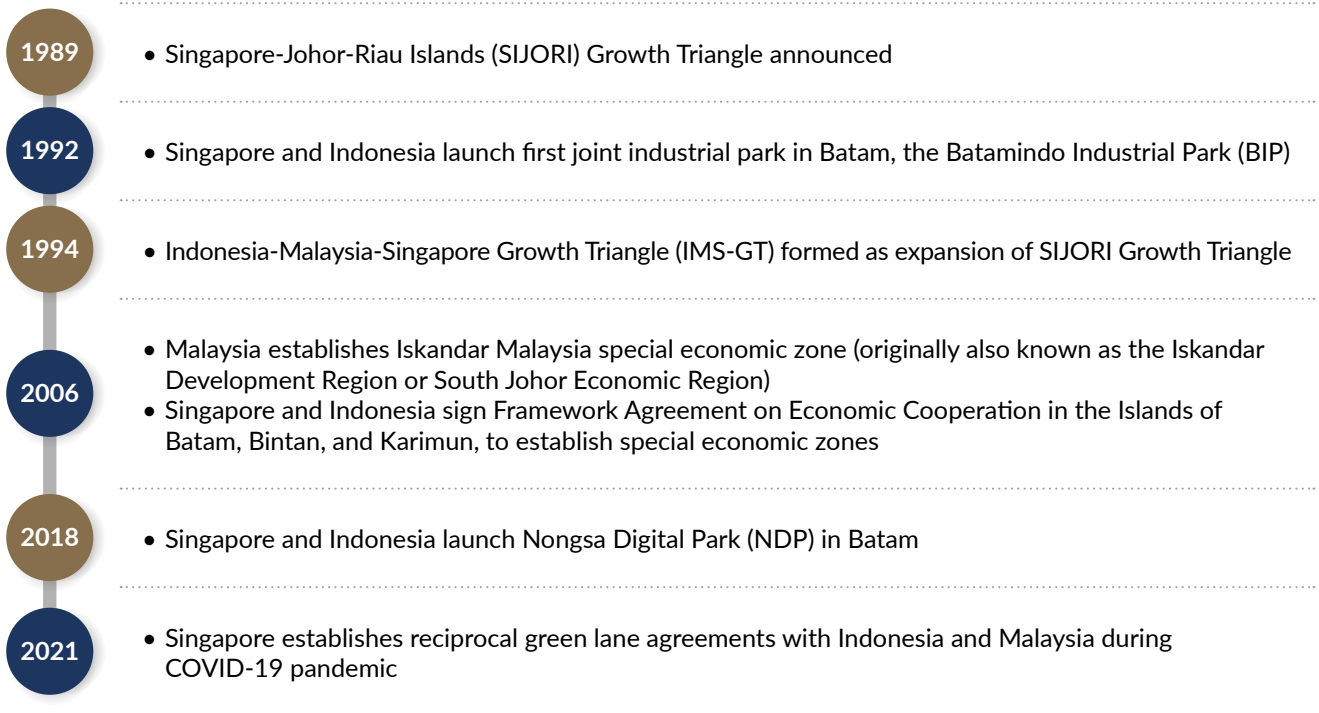
Compiled from Sources: PSA, Jurong Port, Keppel Land, and City Developments Limited (CDL)

Resilience and the Near Abroad: The Singapore government rightly aims to increase our resilience by increasing domestic production of essential goods such as pharmaceuticals and food, as well as stockpiling such items. Yet given our constraints and high costs, production in Singapore itself and even stockpiling will have limits. We suggest an additional support pillar to increase Singapore’s resilience, to emphasise linkages with the contiguous areas nearest Singapore – Johor State and Iskandar Malaysia, as well as with Batam, Bintan and Karimun in Indonesia’s Riau Islands (collectively referred to as JI-BBK in this Report).

The sudden border closures that occurred during the pandemic have underscored the interdependencies between Singapore and JI-BBK, and the vulnerabilities that can arise during times of crisis. These interdependencies are not only in commercial value chains and the movement of essential goods, but also for the many businesses that rely on workers who move across borders, often on a daily basis.

Working in collaboration with the JI-BBK governments, arrangements should be made to ensure that the flow of essential goods and services can continue even in the face of future border restrictions. Political sensitivities exist, and efforts must bear in mind not only the local interests in JI-BBK but the relationship of these areas to their central governments. But the logic of win-win interdependence bears emphasis: cooperation not only assists Singapore, but just as importantly, the workers and businesses in JI-BBK.

Timeline: Singapore's Links with the Near Abroad



Compiled from Sources: *The Straits Times*, *The Business Times*, and *The Star*

Social Consensus to Support Global Engagement: Domestically, this will require constituting a strong social consensus on the benefits of being open and engaging the region. While many Singaporeans are big-hearted, this cannot be taken for granted. Voices that question the access of foreigners to live, work, and study in Singapore have grown, akin to trends towards protectionism and narrow nationalism in other countries. In nation-building and in times of crisis, there is an understandable instinct to prioritise those at home and there is reason to ensure there is a strong Singaporean core as another factor of resilience.

The pandemic and fear of contagion entering the country has added to concerns. Yet, remaining open in a safe and secure fashion can create an even greater premium for Singapore. This potential goes beyond the pandemic to Singapore's position amidst the ongoing Sino-American rivalry, which has major repercussions for trade and supply chains, and may also fragment the digital economy. If Singapore can be a vital node that cooperates with both great powers, as well as other major economies like the European Union and Japan, this would again multiply our current and future value proposition.

In good times and especially in these present trying circumstances, more must be convinced that remaining open as a hub is our past, present and future role. As we enter the next phase of the crisis and seek to emerge stronger, it will be necessary to develop a social consensus on remaining open and redoubling our efforts to engage the world and the region.¹² There must of course be sufficient reserve capacity in our testing, tracing, and treatment for COVID-19. Those in Singapore must feel assured that Singapore is taking the right steps in balancing risks with opportunities, with governance and rules that are science-based and transparent, so that there is trust and empathy.

Achieving this will require not only political messaging, but the building of social understanding and appreciation of the needs and benefits of interconnectedness, backed by fact-based studies of how global and regional engagement benefits Singapore. It is also critical to develop an outward mindset and corresponding capabilities among our people, so that many more in Singapore can engage and benefit from Singapore's international connections. One immediate place to begin is in offering assistance in dealing with the pandemic and upgrading health systems across the region.

“In a crisis, it is natural to turn inwards. But a pandemic knows no borders. No country is truly safe until all of us are safe.”

PM Lee Hsien Loong in a video address to a global conference on 24 February 2020

Pandemic Assistance and Partnerships: In responding to the pandemic in ASEAN, the government of each country has been the key and primary determinant. But regional efforts, especially by ASEAN, have also been timely and helpful. On 14 April 2020, at the Special ASEAN Summit held at the height of the first wave of the pandemic, member states agreed to formulate a set of standard operating procedures for public health emergencies, which was codified later in the year as the ASEAN Strategic Framework on Public Health Emergencies.¹³ As the pandemic is far from over, greater cooperation and coordination between ASEAN countries will be necessary to continue managing the situation.

There are limits to what Singapore can do, and Singapore must prioritise public health and safety at home. However, with the situation remaining complex and uncertain, engagement and taking leadership in regional initiatives are important stances. Helping our key regional partners with the health impacts of the pandemic would give substance to the idea that “no one is safe until everyone is safe”, which Singapore’s leaders have acknowledged. It would support efforts to re-open travel and restart the economy, while ensuring Singapore’s safety and resilience, as this Report will discuss.

With the world seeing a retreat from globalisation, the coming years will be marked by a new era of regionalisation – and for Singapore, a focus on ASEAN. While ASEAN is not new to Singapore, there is much that can be renewed when looking abroad and into the future, post-pandemic. While Singapore has always engaged the world and our region, in toto, the strategies we suggest in this Report will mean not only sustaining those efforts, but stepping up and forward towards new horizons.

If Singapore is to look towards new horizons, what are the next steps forward?

3. Next Steps Forward

Facing the impact of the pandemic and other trends, Singapore has a unique chance to adjust and adapt its existing strengths to enhance its roles as a regional hub for ASEAN and a Global-Asia node. To capture these opportunities, efforts must be made at the government, business, and people levels, to benefit both Singapore and the region. We are therefore addressing our recommendations to government agencies, business associations, and larger Singapore corporates to take leadership in implementing them.

The portfolio of initiatives will have to consider the need for active trust-building, and look not only at immediate opportunities but to build stronger, more resilient, and agile foundations for future development.

“Singapore needs to look not only at immediate opportunities, but stronger, more resilient, and agile foundations for future development.”

1. **Redouble Pandemic and Healthcare Efforts across ASEAN:** Within the limits of our capacity, the Singapore government should consider assisting pandemic response efforts in ASEAN, and also support medium and long-term recovery initiatives.
 - *Increased assistance for testing, tracing, and vaccinations:* In partnership with relevant international bodies, Singapore should increase our assistance for testing, contact tracing, and vaccination procurement. This can be done in conjunction with Singapore's existing efforts via the international COVID-19 Vaccines Global Access (COVAX) initiative and the regional COVID-19 ASEAN Response Fund, or offered bilaterally, between relevant government agencies, as well as through the private sector and not-for-profit foundations.
 - *Private enterprises to support strengthening regional health systems and establish Singapore as a hub:* Helping with treatment is a much larger and broader undertaking that relates to the overall health system of each country. Looking into the future, private corporations in Singapore's healthcare sector should gear up to consider cost-effective and revenue-generating ways to strengthen healthcare services across the region, such as connecting physicians to patients remotely via telemedicine, or helping to strengthen other telehealth services. Singapore can also further grow its pharmaceutical and medical devices sectors to serve regional markets.
2. **Restart ASEAN Travel and Connections:** Current efforts with all major partners are needed, but special focus should be given to ASEAN. Government and private sector collaboration with regional economies to create travel lanes and open travel bubbles can be supplemented with wider confidence-building measures.
 - *Establish a common digital vaccine certificate:* Singapore can work together with ASEAN to build a sense of safety within the region. Working with ASEAN member states, Singapore should move forward to a common regional digital vaccine certificate. This should be a priority for ASEAN, and in the interim, governments can do more to share data on the vaccination status of their populations and ensure mutual recognition of domestic vaccine certificate systems.
 - *Fast track near-abroad measures to improve resilience:* Even as work on ASEAN as a whole moves ahead, arrangements between Singapore and the near abroad of JI-BBK should be fast tracked.
 - *Share knowledge on best practices:* Best practices to improve testing, contact tracing, vaccination, and other measures for health security should also be shared across the region and implemented.
3. **Increase Resilience with the Near Abroad:** Assistance with healthcare and pandemic response measures in JI-BBK can also be increased as part of efforts to make cross-border links between Singapore and its contiguous areas more resilient. In general, the Singapore government and businesses should consider efforts to strengthen Singapore's connections with JI-BBK as a matter of security and resilience for Singapore.
 - *Create facilities and infrastructure for resilience:* Preparations must be made so that the trade in goods and services, and the movement of workers and managers, can continue even in the face of future crises and border closures. Measures to be considered include improved infrastructure for the safe handling of goods, and facilities to house workers in controlled conditions. This would improve on the temporary dormitory arrangements that have been necessary to support workers in Singapore who are unable to commute to their homes across the border due to the pandemic.

- *Strengthen arrangements towards co-management:* Formalising arrangements with local authorities will be a key step to increase certainty. As trust develops, even special “free” zones can be co-developed. Within these zones, there can be co-managed systems and facilities for customs and quarantine measures to ensure continuity even during periods of lockdown, with due safeguards that both sides can accept. Singapore should work towards this outcome with JI-BBK authorities, and also aim to secure acceptance of their central governments that such arrangements present win-win opportunities.
- *Build broader engagement with JI-BBK communities:* As first efforts, corporations operating from Singapore that link into the JI-BBK should step up their commitments for corporate social responsibility and commit to align their environmental, social, and governance practices. Foundations and charities in Singapore should also help with public services, especially in healthcare and education and training, with communities in the near abroad.

4. Anchor Global Supply Chains in ASEAN: Much in the same way that the Economic Development Board (EDB) and Enterprise Singapore (ESG) promote Singapore as an attractive destination for multinational firms and investors, where possible Singapore should also encourage businesses to place portions of their value chains in ASEAN.

- *Build on individual country strengths to anchor MNC supply chains in ASEAN:* While Singapore aims to attract high-value jobs, manufacturing, and services, there will be areas that are better suited for others e.g. where abundant land or labour is needed. Multinational investors should be encouraged to site these activities in nearby ASEAN economies rather than further afield. This will benefit not only those ASEAN economies but Singapore; such economic activity can be “anchored” back to Singapore, for instance if operations are located in Singapore-managed industrial parks, or overseen from “control towers” in Singapore.
- *Grow knowledge and cooperation with ASEAN counterparts:* To help attract and anchor global chains to ASEAN, a deeper understanding of the development priorities and capabilities of our neighbours is critical. Cooperation between relevant government agencies, business chambers, and associations can also assist to foster cooperation and partnership. Singapore’s network of regional and bilateral trade and investment agreements can also be reviewed to ensure sufficient coverage of countries and key issues.
- *Provide support to Singapore-invested businesses and industrial parks to further strengthen their ecosystems in ASEAN:* Business and support services should also be provided to assist Singaporean companies and Singaporean industrial parks in ASEAN countries, alongside efforts to facilitate the ancillary movement of managers and key service providers.
- *Develop ASEAN-readiness in Singapore agencies, businesses and people:* All stakeholders in Singapore, especially government agencies and businesses, should consider ways to build deeper knowledge about ASEAN and to strengthen engagement in the region. Linkages between business associations, think tanks and academic institutes, as well as youth forums should also be fostered. At the public level, people should be encouraged to look more towards ASEAN and seek opportunities in the region. Modular education for working Singaporeans should be developed about the history, business culture, and languages of key ASEAN countries (especially Indonesia and Vietnam). Singapore-owned companies can also be more focused on building a talent pool which leverages Singaporeans and ASEAN citizens for ASEAN management and leadership roles in order to create “ASEAN-minded” leaders in their management teams.

5. **Launch Upskilling Partnerships:** As engagement with key ASEAN economies deepens and broadens, upskilling workers to meet the needs of the future economy will also be important – not only within Singapore, but with our key ASEAN partners.
- *Actively export Singapore's higher and vocational education expertise:* Singapore's educational institutes and private sector can play a greater role in providing remote online training, or in offering courses within ASEAN countries. Singapore's EduTech sector has an opportunity to grow significantly in response to regional demand and champions should be groomed to grow in this sector.
 - *Promote Singapore's standards and encourage harmonisation:* The internationalisation of Singapore-issued qualifications will also feed into broader efforts to secure recognition of Singapore standards across ASEAN. There are a number of areas such as smart cities and cybersecurity where Singapore has had a head start in terms of developing standards and best practices. If Singapore's standards are adopted in regional markets, this will make it easier for Singapore companies to do business in the region and give them some comparative advantage as preferred partners.
 - *Special focus on key partners:* While ASEAN as a whole is important, a special focus of these efforts should be made with Indonesia and Vietnam, which we earlier identified as key partners. They each have large and younger populations and aim to move up the value-chain, therefore requiring major efforts to educate, train, and retrain their workforce.
6. **Add New Value for Global Investors while Building Singapore's Core:** Singapore businesses can also be encouraged to pursue more joint ventures with multinationals and international investors when venturing into ASEAN.
- *Establish Singapore's role as a Global-Asia node by partnering widely:* In addition to Asian partners, especially Chinese, Japanese, and South Korean companies, partnerships should also be pursued with firms from the USA, EU, and other global economies to reinforce Singapore's role as a Global-Asia node. Joint ventures can be especially important in areas such as infrastructure, where the bulk of financing comes from other Asian investors, often China or Japan, routed through Singapore due to our reputation for quality and good governance.
 - *Encourage test bedding collaborations between MNCs and Singapore companies:* In areas where testbedding and development of newer technology and processes are required, joint ventures between Singaporean companies and multinationals can be initiated in Singapore before being rolled out to the region.
7. **Power ASEAN's Future via Technology and Digitalisation:** Singapore occupies a unique space as the regional base for both Western and Asian technology giants, amid growing competition in this realm.
- *Roll out innovations to the region:* The Singapore government and Singapore businesses can emphasise the fact that Singapore's role as a living lab involves not only deploying new innovations in Singapore, but also testing solutions for ASEAN as a whole. Technologies and models trialled in Singapore can be deployed elsewhere once they prove viable. This could include creating or expanding centres of excellence and centres of innovation, with a focus on their capacity to demonstrate technology and solutions to foreign investors and governments. Policymakers and the private sector can explore creating new industry blueprints to ensure Singapore has a first-mover or early-mover advantage.

- *Use digitalisation to strengthen Singapore's supply chain ecosystem:* Businesses located in Singapore's industrial parks across ASEAN could benefit from greater digital connectivity via B2B platforms, connecting the industrial parks in a supply chain ecosystem.
- *Strengthen the smart commerce supply chain:* Businesses should consider investing further in e-commerce at multiple levels – products, data, and financing. Before COVID-19, e-commerce was still in the early stages of development. It has now gained significant traction and is viewed as the most significant growth opportunity in markets like Indonesia. Beyond gaining market access for Singapore businesses, Singapore can further establish its role as a hub in ASEAN smart commerce.
- *Create a services export engine:* Businesses may need to redefine traditional understanding of services export, with the appropriate support from the Singapore government. Singapore can create an entrepôt for services, where Singapore brings in high end capabilities, packages them, and exports them, especially in areas where trust and quality are critical. Examples include emerging areas such as robotics and AI, cybersecurity, and data analytics. The public sector can also share expertise in delivering high-quality government services via digital platforms. In conjunction, Singapore's education sector also needs to gear up to address the changing needs of industry by producing more IT specialists, data engineers and analysts, user interface designers and climate scientists.

8. Build Singapore's Credentials to be a Catalyst for Sustainable Development of ASEAN: Even as Singapore seeks to achieve its own Paris Agreement targets, it can play a role in supporting the ongoing low-carbon transition in other ASEAN economies.

- *Strengthen Singapore as a green finance and business hub:* Financial institutions have an opportunity in enabling green finance, particularly for the transport and energy sectors. Investors are looking for sustainability, stability, and transparency in the wake of COVID-19. This, coupled with the net-zero commitments being made in ASEAN countries, is driving decarbonisation, climate mitigation and adaptation strategies, and sustainability reporting. In addition, financial institutions may wish to explore new ESG-related products such as social impact bonds and catastrophe bonds, while regulators should consider further measures in the spirit of the Variable Capital Companies (VCC) framework to encourage funds to be domiciled here.
- *Build capacity in carbon trading and align schemes:* The Singapore government and businesses must build Singapore's capacity in carbon credit verification, benchmarking, and other services needed to support Singapore's growth as a carbon trading hub. With several ASEAN countries also developing their own national carbon pricing and trading systems, Singapore should explore ways to add value to these efforts, including measures to link or align the different schemes emerging in ASEAN.
- *Expand opportunities for transition financing:* Singapore's financial institutions and businesses should further explore opportunities where sustainability-linked loans can be directed towards projects or industry sectors in Singapore and ASEAN that are considered polluting, offering incentives such as more favourable interest rates tied to the achievement of energy efficiency targets, reductions in emissions intensity, or other ESG goals.

9. **Enable the Development and Financing of Sustainable Infrastructure in ASEAN:** The infrastructure sector presents a huge opportunity for Singapore to use its strengths to play an active part in ASEAN's development.

- *Strengthen key agencies for infrastructure:* The Singapore government and businesses can work in tandem to build Singapore's infrastructure project development, financing and operations, and linkages in the region. The creation of Infrastructure Asia is a positive step, demonstrating Singapore's interest in helping to meet the region's infrastructure needs. Efforts can be considered to move Singapore's infrastructure role more towards concrete partnerships, including both large companies as private sector champions, but also involving smaller enterprises in the ecosystem.
- *Package financing and capabilities to secure greater success in overseas markets:* Businesses, with support from relevant government agencies, can work together to package capabilities across sectors when bidding for infrastructure projects in overseas markets – matching financing with development, design and advisory experience, as well as the engineering capabilities needed for implementation. This would include public-private partnerships, especially in areas where specialised technical know-how is concentrated within agencies rather than Singapore's private sector.
- *Create a robust secondary infrastructure pipeline:* Government, businesses and financial institutions should explore ways to bring more assets into Singapore's capital markets, akin to what the real estate sector has done with real estate investment trusts (REITs). Once there is a pipeline, infrastructure asset owners in the region will have greater confidence in bringing their assets to market.
- *Secure Singapore's role in infrastructure dispute resolution:* Due to the long duration and complexity of infrastructure projects, which may be in jurisdictions with unclear regulations, dispute resolution is also important. Efforts to build Singapore as a preferred destination for arbitration and mediation would also further enhance the infrastructure aspect of Singapore's role as a Global-Asia node.

10. **Partner with Financial Services Sectors in ASEAN:** There are severe financial stresses emerging from the pandemic. Singapore's financial institutions may wish to consider strategic partnerships in the financial services sectors within selected ASEAN economies.

- *Invest in selected sectors:* Pan-ASEAN partnerships could include investments in ASEAN economies where capital is stretched, or in relation to particularly capital-intensive sectors such as infrastructure.
- *Build capacity and harmonise procedures:* Singapore's financial institutions can play a role in helping to train and level up financial services sector expertise in ASEAN. Alongside efforts to harmonise procedures, such capacity building will create a more level and seamless ASEAN financial services sector.
- *Develop new and emerging areas:* Strengthening of cross-country linkages is important not only in traditional areas of finance, but especially in new areas such as fintech, and where environmental and sustainability issues overlap with finance. For example, in the development of green bonds and also for an ASEAN carbon market, there is a need not only for new skills but more coherent regional approaches towards a taxonomy of "green" criteria. Towards this end, Singapore should seek to further develop its initiatives on fintech and sustainable finance. In these areas, opening of Singapore's financial services sector to ASEAN entrants will also be helpful to create stronger ASEAN networks and partnerships.

A number of these recommendations build on current initiatives. Before the pandemic, Singapore was already a significant global city and a major hub for the region. This cannot be taken for granted and, while continuing in that direction, the above recommendations do not aim to merely continue current policies and actions. The ambition of the recommendations as a totality is to integrate and scale up the overall linkages, and to deepen partnerships in Singapore and into the region as a critical strategy for progress and prosperity in a post-pandemic world.

“The ambition is to integrate and scale up linkages, and to deepen partnerships in Singapore and into the region as a critical strategy.”

Conclusion

The initial panic of the pandemic has given way to longer term concerns on sustainable growth and equity. On the back of COVID-19 vaccine rollouts, major economies are recovering quickly and strongly despite the emergence of new variants of concern, which in turn is contributing to recovery in Asia. Yet, downside risks to growth remain, and the strength of Singapore and ASEAN’s recovery is subject to global uncertainties.¹⁴ The IMF has warned that uneven recovery could widen gaps between and within economies, including in the ASEAN region, and there could be long-term scarring in the aftermath of COVID-19.¹⁵ But this outcome is not inevitable.

While Singapore has limits as a small country, there are ways that we can as a hub provide assistance, partnerships, and cooperation to help our region move forward from the pandemic. We should do so not as a matter of optional charity but as a committed deepening of our regional strategy and strong partnerships with key economies in ASEAN. This emphasis on ASEAN and our region is not in competition with our commitments to globalisation. They reinforce each other. A stronger Singapore can make for a stronger region, while also strengthening our value and relevance to the rest of the world. Moreover, this national-regional-global relationship runs in both directions: Singapore also gains from a more prosperous and stable international environment.

Today, after a year and a half of battling a global pandemic, the world is looking less stable and prosperous. But the response cannot be to resign ourselves to stasis. In the face of challenges, we should do what we can, as a country and as a Global-Asia node. From the crisis, Singapore can emerge stronger, better, and also together.

“A stronger Singapore can make for a stronger region, while also strengthening our value and relevance to the rest of the world. From the crisis, Singapore can emerge stronger, better, and also together.”

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