

COMMITTEE ON THE FUTURE ECONOMY

EXECUTIVE SUMMARY

Our vision is for us to be the pioneers of the next generation. In the future economy, our people should have deep skills and be inspired to learn throughout their lives; our businesses should be innovative and nimble; our city vibrant, connected to the world, and continually renewing itself; our Government coordinated, inclusive and responsive.

To this end, we should:

- 1. Deepen and diversify our international connections**
- 2. Acquire and utilise deep skills**
- 3. Strengthen enterprise capabilities to innovate and scale up**
- 4. Build strong digital capabilities**
- 5. Develop a vibrant and connected city of opportunity**
- 6. Develop and implement Industry Transformation Maps (ITMs)**
- 7. Partner each other to enable innovation and growth**

Our collective efforts will allow us to grow by 2-3% per year on average, exceeding the performance of most advanced economies. Together, we can build a value-creating economy that is open and connected to the world, offering a multitude of opportunities, with sustainable wage growth and meaningful careers for all Singaporeans.

INTRODUCTION

1. Singapore has enjoyed sustained economic growth since independence, weathering many economic crises. Incomes have risen substantially; the economy has become more diversified; and Singaporeans today enjoy a quality of life equal to that found in advanced economies. Together, we have built a nation we can be proud of.

2. We have achieved this by restructuring our economy repeatedly, adapting to evolving global as well as domestic circumstances. The last major restructuring started in 2010, following the recommendations of the Economic Strategies Committee (ESC). We have made good progress since, developing higher skills in our workforce, growing an innovative economy, and building a distinctive global city. Although productivity performance has been weak in the domestically-oriented sectors, overall real productivity grew by 2.5% per annum (p.a.) between 2009 and 2016.¹ Singapore's resident unemployment rate has remained low at around 3% and the real median wage has grown by 2.6% p.a.² over the same period.³

¹ This is measured as real value-added per actual hour worked. For 2016, based on advance gross domestic product estimates and preliminary estimates on hours worked. (Source: Ministry of Trade and Industry)

² This is measured as real growth in gross monthly income from work (including employer Central Provident Fund contributions) of full-time employed residents. (Source: Ministry of Manpower)

³ For OECD countries, the unemployment rate averaged 7.7% and growth in real wages was 0.4% between 2009 and 2015. Unemployment is measured as harmonised unemployment rate. Wages are measured as average annual wages per full-time and full-time equivalent employee. (Source: OECD)

3. But the world today is very different from the start of the decade. We have seen unexpected changes in the global order, which may portend significant geopolitical and economic discontinuities. Whichever way the world goes, a small, open economy like ours will need to adapt.

4. It is therefore timely that the Committee on the Future Economy (CFE) was convened in January 2016 to develop economic strategies for the next decade. The CFE engaged over 9,000 stakeholders, including Trade Associations and Chambers (TACs), public agencies, unions, companies, executives, workers, academics, educators and students.

Global shifts

5. Since the ESC, we have seen **significant structural shifts** in our external environment. **Global growth has been subdued** and is expected to be lower than in the previous decade. Populations in developed economies and some developing ones are ageing. **Global productivity growth has been sluggish**, though technological changes could yet generate new waves of innovation and breakthroughs. Growth in the United States (US) has recovered since the Global Financial Crisis, but not to pre-crisis levels. Europe continues to face structural problems, including high youth unemployment. Asia remains a bright spot, with some economies growing rapidly. **Global value chains are also changing**. Some countries are moving up the value chain, while major trading nations, including China, are insourcing more.

6. We are in an era of **rapid technological change**. Innovation cycles have shortened. New technologies can supplant entire industries, displacing all their workers, even as they create new opportunities. The recent rise of new businesses like Uber and Grab exemplify this, as do robotics and artificial intelligence programs displacing routine jobs in manufacturing and services alike. In such an environment, workers must continually retrain and upgrade themselves to stay relevant.

7. Most worryingly, the world saw a dark shift in mood away from globalisation in 2016. It no longer seems certain we are on an inexorable course towards greater globalisation, stronger multilateral institutions and a more connected world. Instead, we saw nativist politics and protectionist economics growing in strength and influence in Europe and the US. The anti-globalisation trend will undermine international trade, hurting all economies, but particularly small open ones like Singapore, with two-thirds of our gross domestic product (GDP) generated by external demand.

Charting our next phase of growth

8. The CFE has studied these global trends and re-examined Singapore's operating assumptions and model, to chart our next phase of growth. What do we need to retain and what must we change to remain competitive and relevant in the world?

9. **This is not the first time we have done such a review.** In every phase of our development, from Third World to First, we have progressed by building on our existing strengths, growing new capabilities, and shifting away from activities that were no longer viable. For example, in the 1960s and 1970s, our strategy of export-led industrialisation succeeded in complementing our historic strength as an entrepôt. A growing manufacturing sector created positive spillovers for the sectors relating to trade, finance, tourism and professional services, and vice versa. Singapore's links to other global financial centres and trading hubs grew. Later, as we developed new manufacturing and services clusters – such as in specialty chemicals, pharmaceuticals, headquarter services and wealth management – and grew our investments overseas, companies and workers in existing sectors also prospered. There may be creative destruction as we create new industries; but there is also creative preservation as the new revitalises the old.

10. The CFE is confident that despite the challenging global environment we face today, there are **many opportunities** for us to innovate, deepen our capabilities, remain connected and stay relevant to the world.

- a. The **US and Europe** continue to have innovative companies and people whom we can work with. We also see strong potential in many Asian markets – in particular **Southeast Asia, China and India** – as well as in **emerging markets** farther afield.
- b. Singapore companies are well-poised to tap into several growth sectors. For example, the rise of the middle-class and urbanisation in Asia will increase demand for **finance, hub services, logistics**, as well as **urban solutions**. Scalable **healthcare** technology solutions can help meet both our own domestic healthcare needs, as well as growing demand abroad. The **digital economy** presents opportunities both within specific sectors like infocomm technology (ICT) and media, and will also transform other sectors like real estate. In **advanced manufacturing**, new technologies and the rise of complementary services can raise productivity. We must retain a globally-competitive manufacturing sector, with further value-added from manufacturing-related services.

11. We cannot know which industries will succeed. What we do know is that Singapore must stay open to trade, talent and ideas, and build deep capabilities. By being innovative, bold and willing to change, and by remaining open to the world, and deepening our knowledge of markets everywhere, our businesses and people can grasp the opportunities that this new environment offers, and Singapore can continue to prosper.

OUR STRATEGIES

12. We call upon the Singaporeans of today, young and old, to be the **pioneers of the next generation**. We shall progress by embracing new realities and creating new opportunities.

13. In the future economy, our people should have deep skills and be inspired to learn throughout their lives; our businesses should be innovative and nimble; our city connected and vibrant, continually renewing itself; and our Government coordinated, inclusive, and responsive.

14. The CFE has identified **seven mutually-reinforcing strategies** to achieve this vision. The following section lays out broadly each of these strategies, but is not a comprehensive list of all the recommendations of the CFE. The seven strategy chapters that follow provide more details.

Strategy 1: Deepen and diversify our international connections

15. The strategic imperative for free and open markets remains as important as ever, for Singapore and the global economy. The free movement of goods, services and investments enables efficient specialisation and rising living standards around the world. Given the current sentiments against globalisation, we must not only resist protectionism but forge ahead to deepen linkages with our overseas partners and seek opportunities in new markets. Our public officials, businesses and individual citizens should build strong ties with their overseas counterparts, and strengthen economic cooperation with other countries and regions through specific projects. We should also build deep connections to global innovation and technology networks so as to harness new ideas better.

Recommendation 1.1: Press on with trade and investment cooperation

16. Given the centrality of trade to our economy, we must resist the threat of rising protectionism. Singapore must continue to **work with like-minded partners to advance the liberalisation of trade and investment**. These should include partners in less traditional markets seeking to plug themselves into the global economy.

17. We need to **strengthen trade cooperation, and reduce tariff and non-tariff barriers** to trade, such as through the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) and the Regional Comprehensive Economic Partnership (RCEP). As the ASEAN Chair in 2018, Singapore can help to advance economic integration within ASEAN and with ASEAN's key partners. Singapore should also continue to work strategically with our global partners to pursue trade liberalisation and global economic integration, despite present protectionist sentiments in some of our key trading markets.

18. Singapore's joint projects to develop industrial and business parks in India, Indonesia and Vietnam, as well as township projects in China, have delivered mutual benefits. We should continue to explore similar opportunities beyond our shores, and partner institutions like the World Bank and Asian Development Bank (ADB), and new institutions like the Asian Infrastructure Investment Bank (AIIB), in pursuit of regional development projects.

Recommendation 1.2: Set up a Global Innovation Alliance (GIA)

19. Given the fast-changing technological environment and rapid growth in Asia, it is even more critical for us to build new networks to facilitate innovation, especially for our young. To spearhead this, our Institutes of Higher Learning (IHLs) and companies should link up with **overseas partners** in major innovation hubs and in key demand markets to form a GIA. The National University of Singapore (NUS) Overseas Colleges already has links in the US, Europe and China. We should build on these links, involve more IHLs and expand our network in regional countries, so as to better expose our students to opportunities in Asia. In-market partners can come on board the GIA to set up **innovation launchpads**, where Singaporeans and foreign startups can work together to tap on the expertise in our IHLs and their partners. In addition, the GIA can serve as **welcome centres** where Singapore-based enterprises and institutions can collaborate with overseas partners.

Recommendation 1.3: Deepen knowledge of our markets

20. In our next phase of internationalisation, our people will need to acquire deeper knowledge of regional markets. They can only do so by spending time in these markets. We should use the **SkillsFuture Leadership Development Initiative (LDI) to expose potential corporate leaders to quality overseas assignments**. We can also do better to **ease the concerns of Singaporean parents over their children's education** when taking on overseas assignments. For instance, online platforms such as the Student Learning Space can be used to help their children stay in touch with the national curriculum. We can also smooth the transition when these children return to Singapore – for example, by facilitating their enrolment in the International Baccalaureate programme – to ensure continuity of learning.

21. Singapore already serves as a base for many companies serving markets in the region, including professional services firms that provide specialised services to companies in these markets. Our universities have a range of area research programmes, while think tanks like the Institute on Asian Consumer Insight and Asia Competitiveness Institute dive deep into specific subjects. Our media coverage of the region is also expanding. We should build on these assets, and encourage **more specialised market research firms and consultancies** to develop wider and deeper market knowledge of the region. **More internationalisation programmes can be developed** for students to acquire Global-Asia market insights and immerse themselves in overseas markets. **Trade associations and economic agencies should undertake more study trips** to help businesses gain insights into the region.

Strategy 2: Acquire and utilise deep skills

22. With the rapid pace of technological development, our workers will need to develop deep skills to stay relevant. Two key shifts are needed. First, since technologies and jobs are likely to change throughout our lifetimes, we need to go beyond the pursuit of the highest possible academic qualifications early in life to focus on acquiring and using knowledge and skills throughout our lives. Second, as technology replaces routine tasks, our people need to acquire deeper skills to create value, and more importantly ensure that they can utilise their skills effectively on the job.

23. Every advanced economy is wrestling with these difficult shifts. Singapore is no different. The SkillsFuture movement, launched in end-2014, gives Singaporeans a head-start in developing themselves throughout life, regardless of their starting points. Students and fresh graduates now get better Education and Career Guidance, and receive early exposure through the SkillsFuture Earn and Learn Programmes.

24. The CFE recommends that we build on this momentum. We need to help Singaporeans acquire deep skills in a timely, accessible manner through modularised programmes, and strengthen the nexus between skills acquisition and utilisation. Learning throughout life needs to be our way of life, so we can quickly and easily adapt to new job demands, or even switch jobs or industries as the economy transforms.

Recommendation 2.1: Facilitate acquisition of deeper skills

25. Skills acquisition is not just for those wishing to switch jobs. To stay relevant, our workers need to continuously deepen and refresh their skills. To facilitate this process, our training providers and IHLs should offer more **modularised and technology-enabled training programmes**.⁴ The courses can be combined to build up to higher qualifications.

26. To help Singaporeans plan their own education and training over their working life, the Government should consider setting up an **online one-stop education, training, and career guidance portal**.

⁴ In support of SkillsFuture, the National University of Singapore (NUS), Nanyang Technological University (NTU), SIM University (UniSIM) and our polytechnics have launched more than 500 skills-based modular courses since 2015.

Recommendation 2.2: Strengthen nexus between acquisition and utilisation of skills

27. Employers need to promptly utilise the skills their employees acquire. For this to happen, training needs to be closely linked to the requirements of the job. One example is the Infocomm Media Development Authority (IMDA)'s SkillsFuture TechSkills Accelerator (TeSA) programme, where company-led training efforts have resulted in a 100% placement rate among TeSA graduates. Another potential opportunity is in urban solutions, where the Government can support **place-and-train schemes in firms throughout the value chain**, including transaction advisory firms, law firms, engineering consultancies, financial institutions, and multilateral development banks. We should develop more such company-led programmes.

28. This should not be limited to new sectors. Existing companies should give more attention to in-house training. This could be supported by **extending work-learn programmes** beyond fresh graduates to **existing employees in companies**.

29. Information gaps can result in missed matches between employers and employees. To make the labour market more efficient, and match jobseekers and employers better, **we should improve the user experience and functionality of the national Jobs Bank**.

30. The Government should facilitate training and employment of workers via initiatives such as the **Professional Conversion Programme** and **Career Support Programme**. The Government should also evaluate and improve its existing support schemes to ensure that our older workers, persons with disabilities and other at-risk workers can all benefit from growth.

Strategy 3: Strengthen enterprise capabilities to innovate and scale up

31. Enterprises must be able to organise people, ideas and capital effectively to create value. Over the years, companies based here have enhanced their corporate capabilities. The entry of multinational corporations (MNCs) and the emergence of startups with new ideas and models have also injected vibrancy to the corporate landscape. As competition intensifies, growing and deepening capabilities among all our businesses will be critical. For instance, strong human resource and management capabilities can maximise the efforts of employees. Companies can also tap on the Research Innovation Enterprise 2020 Plan (RIE2020) to develop innovative and viable commercial products. Companies that have strong growth potential can be supported to scale up and internationalise.

Recommendation 3.1: Strengthen our innovation ecosystem

32. The Government has invested significantly in research and development (R&D). The CFE recommends establishing **commercially-oriented entities** that have the technical expertise, business networks, and instincts to better **commercialise the research findings and intellectual property** (IP) of our research institutions. We also recommend developing a **standardised IP protocol** for all public agencies and publicly-funded research performers, to simplify the commercialisation process.

Recommendation 3.2: Support enterprises to scale up

33. Today, our economic agencies have a range of support schemes to help enterprises innovate and raise productivity. In the future, we need a more tailored approach to help enterprises grow and scale up, taking into account their specific needs and growth stage.

34. We should help **high-growth enterprises scale up and internationalise with targeted assistance**, including access to networks, mentors, technology and financing.

35. We should also **encourage partnerships among enterprises, especially between large and small enterprises**. Large enterprises can adopt corporate venture capital (VC) strategies to strengthen their capabilities, while startups can gain access to new sources of funding and networks by linking up with large enterprises. We should separately step up efforts under existing initiatives such as the Partnerships for Capability Transformation (PACT) to encourage partnerships.

Recommendation 3.3: Catalyse the private sector to provide more growth capital

36. For enterprises based in Singapore to scale up, they need more **smart and patient growth capital** — that is, long-term capital that brings along ideas and expertise. To provide enterprises with such capital, we should encourage a variety of private sector funding, including from banks, VC funds, and private equity (PE) funds. The Government should simplify the **regulatory framework for VCs**, in particular the authorisation process for VC managers. We should also encourage more **PE firms** to be based here, so they can develop deeper knowledge of the opportunities in Singapore and the region. Where there are clear gaps in market financing – for example, for project financing in emerging markets – the Government can develop new forms of support for the private financing of Singapore companies, while ensuring that risk decisions remain in the hands of the private sector. We can build on the role of Clifford Capital.

Strategy 4: Build strong digital capabilities

37. Digitalisation is creating new industries as well as transforming many existing ones, such as finance, advanced manufacturing and healthcare. Digitalisation also offers businesses, small and big, an effective means of reaching global markets. Building on our Smart Nation vision, we can tap on the economic opportunities offered by the digital economy. To do so, we must promote the adoption of digital technologies across all sectors of the economy. In addition, we must build strong capabilities in digital technologies, in particular data analytics and cybersecurity, which can be applied flexibly across sectors. Data will be an increasingly important source of comparative advantage and we need to improve our ability to use it productively in the economy.

Recommendation 4.1: Help small and medium enterprises (SMEs) adopt digital technologies

38. **SMEs** form the bulk of our enterprises, and we should help them **adopt digital technologies**. We can do so by providing expertise as well as financing support. We can also accelerate the pace of adoption of digital technologies among SMEs through **national initiatives** like the National Trade Platform and a National Payments Council.

Recommendation 4.2: Build deep capabilities in data analytics and cybersecurity

39. The Government should support the development of digital capabilities such as applied **data analytics** by establishing **joint laboratories** with industry players. Such partnerships can promote innovation and help train data scientists. The Government can also use National Service to develop deep, niche **skills in cybersecurity** among **Full-Time National Servicemen**, given the strategic importance of cybersecurity to the economy as well as national security.

Recommendation 4.3: Harness data as an asset

40. The Government should establish a **dedicated programme office** to support enterprises in making the most of **data as an asset**. The office can provide industry-specific regulatory guidance and co-develop **flagship data science projects** that will have positive demonstrative effects on other enterprises.

Strategy 5: Develop a vibrant and connected city of opportunity

41. Cities are the economic drivers of the future. Singapore's capacity to flourish in the future global economy is tied to the city-state's ability to attract and create opportunities. The city must be well-connected externally, with sufficient space to grow and rejuvenate internally. We should use our limited size to our advantage by encouraging agglomeration. The co-location of similar firms can attract talent, create critical mass for shared infrastructure, and generate knowledge spillovers among firms and people. In addition, our innovations in creating and sustaining such a connected city will create new expertise that can be exported to rapidly urbanising countries elsewhere.

Recommendation 5.1: Invest in our external connectivity

42. The Government should continually invest in **new international connections**. The development of **Changi Airport's Terminal 5** and the next-generation **seaport in Tuas** will further strengthen Singapore's position as a global air and maritime hub. The **Kuala Lumpur-Singapore High Speed Rail (HSR)** will connect us to the capital of Malaysia, allowing both countries to benefit.

43. In the future economy, Singapore must also be **digitally connected**, for that would allow us to transcend our boundaries. We must maintain our position as one of the world's most digitally connected cities. This will be supported by the strengthening of Singapore's communications infrastructure, e.g. by trialling technologies such as the Heterogeneous Network (HetNet).

Recommendation 5.2: Continue to plan boldly for growth and city rejuvenation

44. Notwithstanding our limited land, we can increase the space we have, provided we plan and execute boldly. Land will be freed up for redevelopment when the Air Base in Paya Lebar moves to Changi and the container terminals in Tanjong Pagar and Pasir Panjang shift to Tuas. We must also develop ways to **create new space**, such as by developing an **underground masterplan to expand underground infrastructure**. We can also **use our existing space better**, for example by creating an **urban logistics system** that will reduce congestion. We will begin with District Logistics Networks in new industrial estates, starting in Jurong Innovation District (JID). Another example is industrial hubs – such as the JTC Chemicals Hub, where multi-level storage and chemical production, as well as shared facilities, will reduce land use by up to 50%, and the JTC Space @ Tampines North, which will allow us to move heavy manufacturing into high-rise spaces.

Recommendation 5.3: Build partnerships for a vibrant city

45. We should create dense **clusters of mutually-reinforcing economic activities** – such as in Punggol and JID – by siting companies of varying sizes with synergistic activities together to encourage partnerships. Moreover, as these areas are next to universities — Singapore Institute of Technology (SIT) in Punggol, and Nanyang Technological University (NTU) in Jurong, respectively — their location can help strengthen the linkages among skills development, research and economic activity.

46. At the same time, we can do more to make existing iconic districts more vibrant. **Orchard Road**, for instance, should be upgraded into a lively shopping and lifestyle destination with a signature street experience. We are building a second Central Business District (CBD) in the **Jurong Lake District**, with a mix of commercial as well as residential areas. We should strive to be a leading city for the development and appreciation of design and the arts.

47. The private sector can partner Government in such projects by taking on the role of a “**master developer**” – developing, place-making, and managing future precincts. To support this, and respond nimbly to new opportunities, the Government should allow **greater flexibility in land use** to enable complementary activities to be adjacent or co-located together.

Recommendation 5.4: Develop exportable capabilities

48. Partnerships between the Government and the private sector will also help Singapore-based enterprises develop **exportable capabilities** in the field of urban solutions. The Land Transport Authority (LTA) allowing the testing of self-driving vehicles at one-north is an example of this. Hyflux is working with PUB and our research institutions to develop and pilot innovative water technologies, which can be adopted in many projects around the world. As we plan the rejuvenation of our city, we can set aside **special test-bedding zones** for firms to develop and refine their products, and at the same time prepare our city for the future and develop new exportable capabilities.

Strategy 6: Develop and implement Industry Transformation Maps (ITMs)

49. To ensure that the five strategies outlined above can come together in a coherent way to meet the needs of our diverse industries, the ITMs should be used as platforms to integrate planning and implementation. Singapore is unique in having created industry-specific platforms that bring together all the stakeholders in that industry. Our approach is not to pick winners, but to build capabilities to give our enterprises and workers the best chance of succeeding in the open market. While some enterprises will succeed, others that are slow to adapt will not, and we should accept this.

50. An idea developed early in the CFE process was the ITMs. This was announced in Budget 2016 and is already being implemented. The ITMs will cover 23 industries and about 80% of the economy by the end of FY2017. They bring together industry partners, TACs, unions, and public agencies, as part of the Council for Skills, Innovation, and Productivity (CSIP). Each ITM integrates and implements holistic strategies in the areas of (a) growth and competitiveness, (b) innovation, (c) internationalisation, (d) productivity, (e) jobs and skills, and (f) government support. The objective is to help each industry achieve its potential, and to create good jobs for Singaporeans. Six ITMs have been launched so far.

51. The CFE recommends that the early learning points from the first batch of ITMs be used to strengthen succeeding ITMs. Each ITM should continue to be customised for that industry, and there should be linkages among related industries to build cluster-level capabilities.

Recommendation 6.1: Tailor ITMs for each industry

52. The ITMs recognise that each industry has its own challenges and opportunities. Some industries need to grow their top line; others need to reduce their costs. Some ITMs focus on helping frontier firms in their industry grow; others focus on helping low-productivity firms catch up. Furthermore, as markets and technologies change, each industry will need to react differently. We should continue to adopt a tailored approach for each industry, so we are focused on where the potential can be best realised in each case.

53. There are industries with **good growth prospects** because they can take advantage of **global opportunities and rapidly-improving technology**. ITMs for these industries will help companies to upgrade their capability so they can seize these opportunities and create good jobs.

54. One such industry is logistics, which is positioned to tap on Asia's rising middle-class and the growth of e-commerce. The logistics ITM will support companies to leverage technology and adopt best-in-class supply chain practices. In addition, the logistics industry skills framework will support Singaporeans to upgrade their skills and take on jobs in this sector.

55. Industries that require large numbers of low-skilled workers will have to **increase their productivity and upgrade their jobs**. They too need customised strategies.

56. For example, the retail industry is facing disruption by e-commerce players. The retail ITM will encourage productivity growth through the use of innovative business formats and technology – for example, storefront self-checkout and cash management, as well as backend shared logistics services like self-collection lockers. Retail jobs can be redesigned to make them more attractive to Singaporeans. Retail enterprises can also acquire new capabilities, like search engine optimisation for omni-channel retail, so they can broaden their customer base.

Recommendation 6.2: Adopt a cluster approach to maximise synergies across industries

57. We should enhance our ITMs by **adopting a cluster approach, to foster synergies across industries**, not just within industries. We can take advantage of **skills adjacencies** between industries to support the provision of skilled manpower in both. For example, the food services and hospitality industries both need similar skills. There is also scope to strengthen linkages across industries – for example, upgrading the capabilities of precision engineering enterprises so they become core suppliers to MNCs in other industries.

58. At the same time, we should be alert to changing industry configurations. New industries that do not fit into existing classifications will emerge. When they do, we should facilitate, not impede, such developments.

Strategy 7: Partner each other to enable innovation and growth

59. The path ahead is uncharted. To succeed, we need to pull together. This will allow us to better understand future challenges and harness the opportunities that emerge. The Government must strive to create an environment where TACs, unions, enterprises and individuals can come together and trust one another. This is what we have done in the past; this is what we must continue to do.

Recommendation 7.1: A greater role for TACs and unions

60. Our TACs are valuable multipliers, leading industry-level initiatives and supporting enterprises to scale up and make inroads in overseas markets. One example is how the Singapore Manufacturing Federation (SMF) collaborated with the Enterprise Europe Network (EEN) to launch an EEN Singapore Centre, which facilitates Singapore companies' access to technological know-how, IP and partnership opportunities within Europe. **More TACs should step forward** to lead similar initiatives. They can tap on the Local Enterprise and Association Development (LEAD) programme to do so. It was enhanced in 2016 with LEAD+ to help TACs enhance their capabilities.

61. Our unions too must continue to do their part to nurture a sense of ownership among workers and **help them prepare for jobs of the future**. Unions must continue to work in concert with enterprises and the Government, move SkillsFuture forward and care for the well-being of all Singaporeans – **especially those who may be more vulnerable** in a rapidly-changing economy.

Recommendation 7.2: Create a regulatory environment to support innovation and risk-taking

62. Our processes and regulations have provided a safe and predictable environment for our people and enterprises, but have grown established and less flexible over time. The Government will need to be nimbler given the rapid pace of innovation and increasing global competition. We must take risks and be willing to make fundamental changes to support the emergence of potentially-disruptive business activities.

63. The Government should therefore design a **regulatory environment** that **supports innovation and risk-taking**, even as it balances this against risk. The Government should also **test regulatory innovations**, such as regulatory sandboxes, to enable trials of new products and services in a real-world environment with appropriate safeguards. For example, in building a Smart Financial Centre in Singapore, the Monetary Authority of Singapore (MAS) is supporting FinTech experiments so that promising innovations can be tested in the market.

64. The Government should **streamline its support schemes** for enterprises, and review and **rationalise the roles and functions of Government agencies** that support enterprises in various ways. Government agencies should focus on developing globally competitive enterprises in Singapore.

Recommendation 7.3: Use Government lead demand to support the development of promising industries

65. The Government should consider using **lead demand** more systematically to support the **development of promising industries**, especially where this coincides with our own strategic national needs. New but promising enterprises with short track records will benefit from citing the Government as a reference customer. We have seen this work well for our water and defence technology industries. A recent example is the Healthcare Innovation Challenge co-organised by IMDA and the National Healthcare Group.

Recommendation 7.4: Review and reshape Singapore's tax system

66. Rising domestic expenditures due to ageing and global changes in tax rules will necessitate a review of Singapore's tax system. The Government should maintain a **tax regime** that upholds two principles: One, our tax system should remain **broad-based, progressive, and fair**, even as we raise revenues over time to meet rising domestic needs. Two, Singapore's tax regime should remain **competitive and pro-growth**, for this is vital if we are to sustain innovation and promote a dynamic economy.

Recommendation 7.5: Create a sustainable environment

67. The Government should ensure that even as the economy grows, we pay attention to the quality of the environment. Our efforts to build a City in a Garden have been well received both at home and abroad. Given the threat of climate change, Singapore should play its part in **contributing to global efforts** to improve environmental sustainability. In that way, we can maintain a high-quality living environment in Singapore for generations to come.

CONCLUSION

68. The CFE sets out the broad strategy. What matters is to **put these strategies to work**. We are confident we can execute our plans, for we are resourceful as a nation and determined as a people. During implementation, we will take an **adaptive approach**, continuing strategies which are successful, discontinuing those which are not, and making major changes where necessary.

69. The strategies we set out are **mutually-reinforcing**. For example, by becoming a startup and innovation capital, and supporting our enterprises to scale up and ride the digital wave, we will allow enterprises to create value and take advantage of our diverse global connections to compete internationally. Similarly, our enterprises will be supported by a globally-oriented people with deep and relevant skills, in a smart city that encourages vibrancy, sustainability and connectivity. These efforts will be integrated by ITMs, and multiplied by all parties working together. The purposeful implementation of these mutually-reinforcing strategies will give us a competitive edge against larger and better-resourced countries.

70. Singapore is entering a new phase of development. The journey ahead is not without challenges. **Our people and enterprises will be the key agents of change and the drivers of value-creation**. Our people must have that curiosity to seek out challenges to address and problems to solve. And our enterprises must have the ambition and drive to create fresh concepts and bring them to market, striving always to stay ahead.

71. Over the next decade, our collective efforts should enable us to **grow by 2-3% per year** on average, exceeding the performance of most advanced economies. This will be a good outcome for our present stage of development, with our incomes already higher than in many advanced economies and our workforce growing slower than before. Crucially, these GDP outcomes, measuring only economic activity within our borders, do not reflect the full extent of our success. A Singapore which is deeply connected to the region and the rest of the world will also provide a wide range of opportunities for our people and enterprises to thrive in markets abroad.

72. At the same time, our approach is an **inclusive** one, for we want the fruits of our growth to be enjoyed by all Singaporeans. We want an economy that offers **ample opportunities, with all Singaporeans enjoying sustainable wage growth and meaningful careers**.

73. We want to be the **pioneers of the next generation**. Together, we will build a Singapore of global relevance; a Singapore that can ceaselessly reinvent herself and grasp new opportunities. We are prepared for tomorrow.