

**SPEECH BY MINISTER FOR TRADE AND INDUSTRY GAN KIM YONG AT  
MINISTRY OF TRADE AND INDUSTRY'S COMMITTEE OF SUPPLY DEBATE  
2023 ON 28 FEBRUARY 2023**

*"Building a Vibrant Economy, Nurturing Enterprises"*

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Mr Chairman,

**Introduction**

1. Let me first thank members for your comments, suggestions and views.
2. After more than three years of fighting the COVID-19 virus, we have now arrived at DORSCON Green. Economic activities have largely resumed, and life has more or less returned to normal. I record my appreciation and thanks to the workers who kept the economy going.
3. But even as we emerged from the COVID-19 pandemic, new challenges have surfaced. The outbreak of the Russia-Ukraine war compounded the supply chain disruptions triggered by COVID-19, driving up prices of energy, food and almost everything else. Global inflation soared, which led many countries to tighten their monetary policies, causing the global economy to slow down. As a small and open economy, Singapore felt the effects of these global developments keenly.
4. Mr Liang Eng Hwa asked how the Singapore economy performed in 2022. Let me give a quick recap. Our economy grew by 3.6% in 2022.
  - a. Outward-oriented industries, such as electronics, chemicals, and finance & insurance, were affected by weaker external demand. However, as countries re-opened their borders, the strong recovery in air travel and international arrivals have given a boost to our aviation- and tourism-related sectors, as well as consumer-facing sectors such as retail trade and food & beverage services. The professional services sector also benefited from the lifting of travel restrictions, as businesses could better engage and service their overseas clients.
  - b. Singapore's position as a global business hub remained strong, as companies anchored their corporate and manufacturing activities here to strengthen the resilience of their supply chains and operations. We secured record commitments of \$22.5 billion in Fixed Asset Investments, in areas such as semiconductors, aerospace and agri-food, as well as generated \$6.2 billion in Total Business Expenditure. When the committed investments

are fully implemented, we expect them to create over 17,000 jobs, and more than \$20 billion in Value-Added per year for Singapore.

- c. Our employment situation also improved, with the annual average resident unemployment rate falling to a four-year low of 2.9 per cent in 2022. Nominal median gross monthly income for resident full-time workers grew by 8.3 per cent in the same period. After taking into account inflation, real median income grew by 2 per cent. While higher wages add to the costs for doing businesses, the key is to ensure that productivity increases to support higher wages. In this way, both businesses and workers will benefit.

## **Challenges Ahead**

### *Near-term Challenges*

5. Mr Liang Eng Hwa also asked about the outlook for 2023, and the challenges that businesses need to prepare for. We expect the Singapore economy to grow between 0.5 to 2.5 per cent in 2023.

- a. Growth in the major advanced economies, such as the US and Europe, will slow amidst tightening financial conditions, which will crimp consumption and investment spending. The possibility of recessions in these economies cannot be ruled out. On the upside, Asian economies are expected to continue growing. Southeast Asian economies will benefit from the ongoing recovery in domestic and tourism demand, while China's reopening is likely to provide some lift to global demand.
- b. Global supply chains have recovered from the worst effects of the pandemic, but they continue to be affected by the Russia-Ukraine war, and reshaped by efforts to re-shore or "friend-shore" operations and production. As a result, transport and logistics costs are likely to remain elevated.

6. Several members highlighted that businesses are having difficulties managing rising costs, and Mr Derrick Goh and Mr Shawn Huang asked how the Government will assist businesses in overcoming these challenges.

7. The current inflationary environment is a global phenomenon. The Singapore Government has adopted a range of measures to mitigate the impact of inflation. We have undertaken several rounds of monetary policy tightening, and rolled out three support packages last year totalling more than \$3.5 billion, to address cost-of-living concerns. In addition, DPM Wong also announced several measures this year to support our businesses, including an extension of the enhancements to the Enterprise Financing Scheme to help enterprises access credit, as well as an extension of the

Energy Efficiency Grant to encourage businesses to invest in raising their energy efficiency. Minister of State Low Yen Ling will share more details in her speech.

8. Given that we are a small and open economy, we cannot be totally insulated from these global inflationary pressures. For us to remain competitive, we must continue to improve efficiency and raise productivity.

#### *Longer-term Structural Shifts*

9. If we look beyond the near-term, there are major structural shifts in our operating environment that will create both challenges and opportunities for Singapore.

- a. The multilateral open trading system is under pressure, and geopolitical tensions are increasingly shaping countries' economic strategies. These developments will undoubtedly have implications on the global economy as well as Singapore's economy.
- b. New technologies are disrupting industries and business models, such as Artificial Intelligence for example. As AI technology improves and becomes integrated in more applications, such as ChatGPT, it could take over tasks in areas such as marketing and sales, IT and engineering, and change the way we do business.
- c. I agree with Mr Don Wee that climate change is the defining challenge of our time. The transition to net zero emissions will be one of the deepest and broadest transformations to our economy. It will affect almost every industry, from energy to manufacturing, transport to financial services.
- d. Several members have also spoken about the manpower constraints we face. Indeed, manpower has always been a constraint. Our local workforce is ageing, and we are faced with the stark reality of slowing local workforce growth. If we are to keep our economy vibrant, we must continue to deepen our skills and accommodate new arrivals to complement our local workforce so that we can allow our companies to grow. This will require difficult trade-offs to be made carefully, not just at the company-level, but also as an economy and a society.

#### **Singapore Economy 2030**

10. While these shifts may seem daunting, we are moving forward from a strong position, given our robust fundamentals. These include our efficient infrastructure, extensive physical and trade connectivity, a highly-skilled workforce which we continuously invest in, and our nimble and enabling policy environment. These were the same fundamentals that saw us through the COVID-19 pandemic, which

demonstrated to our businesses and investors that Singapore is a reliable partner, even in a crisis.

11. We can therefore take heart that if we are willing to work hard and work together, we can turn challenges into opportunities.

12. Last year, I spoke about the Singapore Economy 2030 vision, in particular, about our Manufacturing 2030 and Trade 2030 strategies. Today, I will introduce our Services 2030 vision, and elaborate on what we are doing as part of our Enterprise 2030 strategy.

### *Services 2030*

13. Our Services cluster, or Services 2030, encompasses very diverse sectors. It includes outward-oriented sectors such as Information & Communications and Professional Services, as well as domestic-facing ones such as Retail Trade and F&B services. It is also a very large cluster, accounting for around 70% of our GDP.

14. Our Services 2030 vision seeks to harness the growth opportunities in digitalisation and sustainability, and anchor Singapore as a leading, vibrant hub for businesses, lifestyle and tourism.

15. In particular, the Modern Services cluster comprises some of the fastest-growing sectors in our economy. Within this decade, we aim to grow the VA from the Modern Services cluster by at least 50 per cent, and create more than 100,000 additional jobs.

- a. A good example is the Professional Services sector within Modern Services. It is a diverse group, including company headquarters, and professional services firms providing consulting, legal and accounting services. Together, they contribute to Singapore's vibrant business and innovative ecosystem.
- b. Today, I am pleased to announce the launch of the Professional Services Industry Transformation Map 2025, or ITM 2025, which will play an important role in strengthening Singapore's position as a leading business hub. Our Professional Services sector is well-positioned to seize opportunities for business growth driven by digitalisation, sustainability, emerging markets and new customer segments in Southeast Asia. The Government will work with stakeholders to help Singaporeans upskill and reskill, so that they too can tap on opportunities and realise their career aspirations in this sector.

16. Minister of State Alvin Tan will elaborate on our strategies in this regard, including the Professional Services ITM 2025.

## *Update on Industry Transformation Maps*

17. The Professional Services ITM is one of the 23 ITMs that the Government introduced in partnership with the Future Economy Council Clusters, to support industry transformation. Several members, including Mr Pritam Singh during the Budget Debate, asked about our ITMs.

18. The 23 ITM sectors have led the way in terms of economic growth and industry transformation. However, the COVID-19 pandemic had inevitably affected progress of some of them.

- a. Across the 23 ITMs, from 2016 when they were first introduced to 2021, their VA in real terms grew by 2.9 per cent per annum. This was marginally above the performance of the economy as a whole, which was at 2.8 per cent per annum. However, if we only look at the period just prior to COVID-19 from 2016 to 2019, the VA in real terms for the 23 ITM sectors grew by 3.5 per cent per annum, which was a fair bit higher than the performance of the economy as a whole averaging 3.1 per cent per annum. The ITM sectors as a whole also did better for productivity, which grew by 4.0 per cent per annum for the period 2016 to 2021, compared to the overall economy at 3.5 per cent per annum. On jobs, despite the impact of COVID-19, there was a net creation of about 134,000 resident jobs from 2016 to 2021.
- b. Some ITM sectors performed better than others. The Financial Services sector achieved real VA growth of 6.8 per cent per annum from 2016 to 2021, exceeding the real VA growth target of 4.3 per cent set for the period from 2016 and 2020. Close to 26,000 PMET jobs were created during this period, far exceeding the target of 12,000 jobs.
- c. On the other hand, under the Precision Engineering ITM, we had set a nominal VA growth target of 8 per cent and a job creation target of 3,000 PMET jobs by 2020. Over the period 2016 to 2021, the sector exceeded its VA target and achieved growth of 11.2 per cent per annum. But it did not do as well in job creation, creating over 2,000 PMET jobs, partly because of the COVID-19 pandemic.

19. While COVID-19 has disrupted the progress of our ITMs, we have since embarked on a refresh of the ITM strategies – the ITM 2025 refresh – to take into account our experience during the pandemic and address emerging priorities such as sustainability and the need for greater economic resilience. We should allow some time for these strategies to take root and then assess the progress of the ITM 2025 strategies.

## *Industry Transformation as a Critical Imperative*

20. In essence, the ITMs reflect the story of our economic development and constant transformation, to respond to challenges and stay ahead of the curve. Ms Jessica Tan and Mr Saktiandi Supaat rightly pointed out that these challenges can also create opportunities that businesses can capture. Two aspects stand out: digitalisation and sustainability.

21. COVID-19 gave a decisive push for many businesses to adopt digital tools such as digital shopfronts and e-payments. Going forward, digitalisation will remain critical in helping companies raise productivity and optimise their operations, and to alleviate higher costs and manpower challenges. As supply chains increase in complexity and unpredictability, digital capabilities will also allow companies to have greater visibility of their operations and pre-empt bottlenecks.

22. More importantly, digital technology can unlock companies' ability to innovate and develop new services and products. Examples of such transformation are everywhere.

23. Take for instance telehealth. We saw the sector take off during COVID-19, as people turned to seeing their doctors online instead of visiting the clinic physically. Today, Singapore has a growing telehealth ecosystem with several companies that have expanded their operations overseas. One example is Doctor Anywhere, which was founded in 2017. The homegrown company grew its user base in Singapore by three-fold and expanded to Malaysia and the Philippines in the midst of COVID-19. Today, it is present in six key Southeast Asian markets. In time to come, I am sure Doctor Anywhere will be everywhere.

24. In the area of sustainability, investors and customers are raising their expectations. This may be a challenge, but many members also rightfully highlighted the opportunities this presents for our companies. Having a clear sustainability strategy and statement will increasingly be an advantage when serving global markets, and companies need to urgently rethink how to transform their business models and operations to thrive in a low carbon world. There are ready solutions, such as more energy-efficient equipment, for which Government funding support is available.

25. Koda, a leading Original Design Manufacturer of furniture, is a good example of a company that is transforming itself to compete in a low-carbon world. The company has implemented a comprehensive environmental tracking and management system for its furniture manufacturing operations. It is also developing a comprehensive sustainability strategy.

26. Minister of State Alvin Tan will elaborate on how we are supporting our companies to seize opportunities in digitalisation and sustainability in his speech.

## **Securing Singapore's Position as a Global Business Hub**

27. Even as we press on with the transformation of our industries, we must continue to strengthen Singapore's position as a global hub for businesses, innovation, investors, and talent. This has allowed us to attract global companies and investors to invest in Singapore, creating opportunities and jobs even in the depths of the COVID-19 pandemic.

28. We must work even harder to secure Singapore's competitiveness as an investment location. This is crucial as the international tax landscape is also going through a significant and fundamental change with the introduction of Base Erosion and Profit Shifting 2.0, or BEPS 2.0 in short. Several members rightly pointed out that Singapore will indeed be affected.

29. We need to carefully assess the impact of the BEPS 2.0 on affected Multinational Enterprises or MNEs here, and on our overall competitiveness as a global business hub. DPM Wong has announced our intention to implement Pillar 2 from 2025, and introduce a Domestic Top-up Tax at the same time to top up the effective tax rate of MNE groups in Singapore to 15 per cent.

30. Giving companies notice now will allow affected MNEs time to assess the impact on their operations, and for our economic agencies to work with them to address their concerns and support their continued growth in Singapore. As DPM Wong has said, we will also continue to monitor international developments, and adjust our implementation timeline as needed.

31. Mr Sharael Taha asked about the use of non-tax incentives to enhance our competitiveness. MTI has continuously sharpened our toolkit to ensure that Singapore remains competitive in attracting and retaining investments. In this regard, the Government has topped up the National Productivity Fund, or NPF in short, and will expand its scope to include investment promotion as a supportable activity. This is in addition to its existing focus on productivity improvements and continuing education and training.

32. I agree with Mr Sharael Taha on the importance of ensuring that projects supported by the NPF lead to real productivity improvements. We currently fund a diverse portfolio of programmes and schemes under NPF, ranging from sector-specific ones like the Construction Productivity and Capability Fund under the Building and Construction Authority, to horizontal programmes like the SkillsFuture Enterprise Credit scheme. These schemes have thus far achieved positive results.

33. One example is the Increase SME Productivity with Infocomm Adoption & Transformation or in short, iSPRINT programme. iSPRINT programme helped about 10,000 SMEs leverage infocomm technology solutions to improve their business

operations and increase productivity. A 2016 study by MTI economists showed that the median firm saw an increase in revenue of 3.1 per cent after adopting solutions under the scheme, compared to firms that had not adopted the solutions. iSPRINT has ceased in 2018, but SMEs can now tap on the SMEs Go Digital programme, which provides a range of support to meet businesses' digitalisation needs.

34. Apart from productivity indicators, each NPF project also has specific KPIs that they must meet, in areas like upskilling of individuals and development of industry platforms such as centres of excellence – all of which contribute to productivity growth.

35. We will continue to ensure that funds are used judiciously to support investment promotion, enhance our productivity and deliver tangible benefits to our businesses and workers.

36. Apart from providing support through the NPF, I want to emphasise that investment promotion incentives which are aligned with international rules will remain relevant and important to companies not subject to the global minimum effective tax rate under BEPS Pillar 2. Therefore, we have extended our Pioneer Certificate, Development and Expansion Incentive and Investment Allowance tax incentives for an additional five years until 31 December 2028. This will allow us to attract investments which are expected to generate significant economic contributions to Singapore over time.

37. Besides companies, we also want to attract high calibre investors who can strengthen our ecosystem. Such investors bring with them capital that support the growth of our local businesses and create good jobs for more Singaporeans. They also provide valuable networks to connect us to the region and beyond, as well as contribute their entrepreneurial skills to our business ecosystem.

38. The Global Investor Programme, or GIP, is one way through which we attract and anchor these investors in Singapore. The programme has delivered tangible outcomes for Singapore. Over the past 11 years, GIP investors have brought in around \$5.5 billion in Total Business Expenditure, generating over 24,000 jobs in Singapore. To ensure that Singapore captures even more value from the capital, businesses and networks that the investors bring, the Economic Development Board will enhance the GIP, by raising the investment quantum to ensure greater contributions from these investors, and to direct more funds and resources into our local ecosystem. In addition, the scope of the GIP-select funds will be adjusted, to capture more value from a wider pool of investors. EDB will share more details in due course.



## **Nurturing Enterprises**

39. To build a strong Singapore Economy 2030, we cannot just rely on foreign investments. Nurturing a deep bench of local enterprises that are innovative, future-oriented, and which can find success beyond Singapore's shores is a key priority.

### *Supporting Enterprise Internationalisation*

40. Ms Janet Ang asked how MTI is assisting local companies to seize new opportunities and compete successfully in international markets.

41. One way we do so is through our strong trade connectivity, leveraging on the network of 27 Free Trade Agreements, or FTAs that we have. Such agreements help reduce uncertainties, risks and friction that businesses face when venturing into overseas markets. For example, Prima Food's ready-to-cook products are now sold in over 40 markets, facilitated by preferential access through our FTAs. Prima also exports products like wheat flour and premixes to Japan under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, which provides tariff savings of about 20 per cent.

42. We are also making good inroads in pioneering new agreements in emerging areas, to create opportunities for our businesses. To date, we have signed four Digital Economy Agreements and concluded the first Green Economy Agreement with Australia last year.

43. Enterprise Singapore also has a range of schemes to help Singapore companies address common pain points and support them through the different stages of their internationalisation strategy. In 2022, we supported 2,000 enterprises to embark on internationalisation activities, which was 25 per cent more than the year before.

44. To help companies break into new markets, we will make further enhancements to our existing programmes.

- a. For the Market Readiness Assistance scheme, or the MRA, we had in 2020 introduced a time-limited, higher grant cap of \$100,000, until 31 March 2023, which is next month. I am heartened to hear from Ms Janet Ang of the value that the industry sees in the MRA. As many companies' internationalisation plans have been disrupted by the pandemic, we will extend the enhanced grant cap by another two years until 31 March 2025.
- b. Ms He Ting Ru suggested having an EXIM bank for our local companies. We have indeed provided financing support to enterprises through various financing schemes to help them venture in overseas markets. These include

the Enterprise Financing Scheme or EFS-Trade Loan and EFS-Project Loan. 10 years ago, we also set up Clifford to provide financing for local companies doing infrastructure projects abroad. To improve access to financing for local enterprises expanding to emerging markets, we will pilot the expansion of the pool of participating financial institutions for the EFS, to include selected foreign-based financial institutions and multilateral development banks with strong expertise and appetite in emerging markets, such as the International Finance Corporation and the Asian Development Bank. Specific to green financing we recently launched EFS-Green, in addition to MAS' green financing initiatives.

- c. To support enterprises' use of e-commerce platforms, we will enhance the Double Tax Deduction for Internationalisation by expanding the scope of qualifying costs to include costs incurred to support growth via e-commerce. These may include costs arising from business advisory, product listing and marketing content development.

45. Beyond schemes and trade agreements, we have also facilitated partnerships between global companies and local enterprises, to help local enterprises internationalise.

- a. One example is Singapore garment manufacturer Teo Garments and 3D apparel design solution provider Browzwear's partnership with Lidl & Kaufland Asia, the sourcing arm for Schwarz Group, a food and retail industry leader in Europe. This has allowed our companies to scale and gain access to the European market, leveraging on Lidl & Kaufland's extensive consumer base.

#### *Growing Singapore Global Enterprises*

46. Companies that are further along in their growth and internationalisation journeys often require bespoke support, to fully unlock their potential and develop into truly global companies.

47. One such example is Sing Fuels, a home-grown marine bunker and lubricant trader that supplies to more than 350 ports globally. Through its partnership in Scale-Up – our flagship programme to support high-growth enterprises – Sing Fuels has sharpened its business growth plans, developed a market entry strategy into Africa for the lubricant business and also set up a clean energy arm, which trades and undertakes research and development into more sustainable fuels. Sing Fuels is also leveraging on EDB's Corporate Venture Launchpad to develop a technology platform that addresses operational and capital challenges in the marine fuel industry.

48. We hope to support more local companies like Sing Fuels, which fly Singapore's flag high internationally while contributing significantly to our economy and creating good jobs for Singaporeans.

49. We introduced the Singapore Global Enterprises, or SGE, initiative at COS last year to build a strong slate of locally-grown, high-growth companies that can compete against the best in the world. The needs of these companies differ vastly, and they often require dedicated and customised support to meet their specific challenges. Building upon the flagship Scale-Up programme, Enterprise Singapore will partner these companies on their growth journeys in the following ways:

- a. First, we will continue to strengthen and deepen the companies' capabilities in developing new products, penetrating new markets and improving their work processes. To help them build sustained innovation as a core competitive strategy, we will support them in undertaking R&D and innovation activities. We will also support companies in expanding their global footprint and diversifying their supply chains. To facilitate this, companies may receive customised financial support from Enterprise Singapore, such as through co-funding of the establishment of their in-house R&D and innovation centres, and efforts to build supply chain resilience.
- b. Second, we will develop and deepen our talent pool. Existing schemes like the Singapore Global Executive Programme help local high-growth companies enhance their human capital capabilities and attractiveness as employers. We will also expand the coverage of the Skills Future Enterprise Credit to include Scale-Up and the Singapore Global Executive Programme. This will allow eligible employers to use their credit to offset qualifying expenses under these programmes.
- c. Third, Enterprise Singapore will introduce Scale-Up X, which are new specialised capability building programmes in areas such as nurturing leadership, enhancing readiness for investments and initial public offering listings, and sharpening internationalisation strategies and execution plans.

50. The bench of promising Singapore enterprises has grown in recent years. We aim to work with a pool of about 100 – 200 such enterprises. For the more ambitious companies, we will give them an additional boost through the SGE initiative, so that they may become global leaders in their respective fields. I look forward to the rise of a new generation of SGEs as more Singapore companies make their mark globally. We will be with you every step of the way.

## **Preparing Our Workforce for the Future**

51. Our efforts under the Singapore Economy 2030 vision can only be achieved if we have a high-quality workforce with industry-relevant skillsets and capabilities. As the structural shifts that I had earlier described take root in our economy, we can expect existing jobs to be transformed at a faster pace even as new jobs are created.

52. Ms Mariam Jaafar and Mr Koh Lian Pin asked specifically how the Government is equipping the Singapore workforce to take on jobs in the green economy. To prepare companies and workers for the transition to a greener future, the Government has worked with tripartite partners to roll out training programmes at various levels, including broader-based courses such as Enterprise Singapore's Enterprise Sustainability Programmes for business executives, and sector-specific programmes such as Workforce Singapore's Career Conversion Programme for sustainability professionals.

53. Given the fast-evolving landscape of the green economy, there is a need to ensure that our training programmes remain relevant. Therefore, MTI, in partnership with SkillsFuture Singapore will set up a Green Skills Committee to bring together industry players and training providers to develop green skills in the local workforce that are relevant to industry needs. For a start, we will focus on immediate needs such as training workers to conduct sustainability reporting, and equipping them with the skills to operate in new growth areas in the energy sector, such as renewable energy and energy storage systems. We will continue to work closely with the industry to identify new demand areas for green skills as this platform grows.

54. Second Minister Tan See Leng and Minister of State Alvin Tan will share more on our efforts to ensure our workforce is well-equipped to take on the opportunities under our Singapore Economy 2030 vision.

## **Conclusion**

55. Sir, let me conclude.

56. 2023 will likely not be an easy year for businesses, and the Government will not hesitate to provide targeted support where needed. However, we must not lose sight of the longer-term future. Achieving our Singapore Economy 2030 vision will require hard work, and in some cases sacrifices. Companies and workers alike must be ready for transformation. In the face of rising costs, biting resource constraints and a more challenging international environment, this is the only viable path to long-term growth and success.

57. If there is one thing the COVID-19 pandemic has taught us, it is that when the situation calls for it, Singapore as a country and Singaporeans can be agile and

resilient, prepared to make difficult decisions for the greater good, and help each other along the way. All of us – employers, workers, unions, trade associations, and the Government – can all do our part to ensure that Singapore continues to punch above our weight on the global stage, and build a strong and vibrant economy for our future generations.

58. Thank you.