

**SPEECH BY MINISTER FOR TRADE AND INDUSTRY GAN KIM YONG AT MTI'S  
COMMITTEE OF SUPPLY DEBATE 2024 ON 1 MARCH 2024**

*“Grow Our Economy”*

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Chairman,

**Introduction**

1. Let me first thank Members for their thoughtful comments.
2. The past few years have been challenging. As a small and open economy, Singapore felt keenly the impact of uncertainties arising from the pandemic and structural shifts in the global economy. But we did not let this put us down. We pressed on with our transformation journey and helped our businesses turn challenges into opportunities.
3. During the COVID-19 pandemic, we experienced our worst recession since independence. Our top priority then was to support our companies through this unprecedented crisis and protect jobs for Singaporeans.
4. Even before the pandemic was over, new challenges surfaced.
  - a. Global food and energy prices rose sharply due to supply chain disruptions, which then led to global inflation;
  - b. Interest rates were raised as central banks around the world sought to counter inflationary pressures;
  - c. Geopolitical contestation and strategic competition between major powers such as the United States and China intensified;
  - d. Conflicts in Ukraine and the Middle East erupted; and
  - e. There is growing urgency to address climate change.
5. Amidst these challenges, our economy grew 1.1 percent in 2023.
6. For 2024, we expect our GDP to grow by 1 to 3 percent and inflation to moderate.

## Near-Term Support for Business Transformation

7. Nonetheless, our external environment remains volatile and uncertain, as several Members have pointed out. Many businesses, especially SMEs, are concerned about increased business costs and access to financing. They have also asked for more support to pursue transformation and training to stay competitive and capture new opportunities.

8. Mr Shawn Huang asked about support for enterprises and will be glad to know that we are setting aside \$1.3 billion for the Enterprise Support Package to address these near-term challenges. It has three components:

- a. Corporate Income Tax rebate to help with cashflow,
- b. adjustments to the Enterprise Financing Scheme to help businesses access loan financing, and
- c. an extension of the SkillsFuture Enterprise Credit to support transformation and skills training efforts.

9. First, let me explain the Corporate Income Tax Rebate.

- a. Companies due for corporate income tax in Year of Assessment 2024 will receive a 50% rebate, subject to a cap of \$40,000.
- b. To ensure that smaller companies, even those that pay little or no income tax, can also benefit from the rebate, companies that employed at least one local employee in 2023 will receive a minimum cash payout of \$2,000.
- c. The corporate income tax rebate will benefit many enterprises, especially SMEs.

10. Next, we will adjust the Enterprise Financing Scheme (EFS) that facilitate access to loan financing.

- a. During the pandemic, we significantly enhanced the EFS to provide stronger support for businesses. We have since reviewed and adjusted the EFS to better suit current business needs.
- b. For example, internationalisation plans were significantly disrupted during the pandemic, when global markets came to a standstill. To help companies sustain their efforts, we doubled the maximum loan quantum for the EFS-Trade Loan to \$10 million, and increased Government's risk-share to 70%.

- c. One company that has used the EFS to internationalise is Apeiron Bioenergy, which produces clean fuel from waste products. The company tapped on the EFS-Trade Loan and EFS-Green to deliver its first contract of used cooking oil, a clean biofuel feedstock to the US market, and expand its facilities in Asia and the United Arab Emirates.
- d. As the global markets are still recovering, we will extend the enhanced maximum loan quantum of \$10 million for one year till 31 March 2025, but at 50% risk-share. This is in line with Mr Mark Lee's call to support Singapore businesses as they expand overseas.
- e. During the pandemic, we had also expanded the EFS-Project Loan scheme to include domestic construction projects which were badly affected. Most construction projects are now back on schedule and the sector is generally recovering, although some companies are still facing challenges. Hence, we will extend support for domestic construction projects under EFS-Project Loan (Domestic) by one year till 31 March 2025 to help the industry, but at a lower maximum loan quantum of \$15 million instead of \$30 million.
- f. In addition, we will permanently increase the maximum loan quantum of the EFS-Working Capital Loan to \$500,000. We temporarily increased the cap during the pandemic when businesses were facing severe cashflow constraints. Since then, while cashflow has improved, the working capital needs of SMEs have in fact increased, amidst increased business costs. Making the higher maximum loan quantum permanent will better support our SMEs.

11. Since 2020, more than 30,000 enterprises have utilised the SkillsFuture Enterprise Credit (SFEC) to support the training and upgrading of their employees and to pursue enterprise transformation.

- a. This includes Aux Media Group, an event and concert organiser. It used SFEC to offset costs of their digital workflow transformation project. The company also used SFEC to send their employees for SkillsFuture training courses, ranging from Human Resource to drone piloting, to meet the company's needs.
- b. To allow businesses to benefit more from the SFEC, we will extend the claims submission deadline by one year to 30 June 2025.
- c. We will continue refining our support for enterprises to deepen workforce and enterprise transformation.

12. MOS Low will also speak about additional measures specifically to support our heartland enterprises.

### **Investing in the future**

13. While we tackle near-term challenges, we must continue to invest in our longer-term future and build a resilient and vibrant economy for Singapore. To achieve this, we need to be gutsy. We will adopt four strategies, GUTC:

- a. Grow our economy;
- b. Unlock our resource potential;
- c. Transform our businesses; and
- d. Connect to strengthen our status as a global business node.

14. Let me focus on our strategy to grow our Singapore economy, while each of my colleagues will elaborate on the other three strategies. We will grow our economy through three thrusts:

- i. Leveraging our trade networks;
- ii. Promoting investment and adoption of new technologies; and
- iii. Developing our talent

#### *Leveraging our trade networks*

15. First, on leveraging our trade networks. Singapore is well-placed to benefit from growth in our region and beyond. Our extensive connectivity has been, and will continue to be, our key competitive advantage.

- a. Singapore has established a strong reputation as a well-connected, reliable, and trusted logistics and transportation hub. Amid shifts in global supply chains, businesses and investors continue to be attracted to Singapore due to our robust infrastructure, pro-business policies and skilled workforce. Foreign Direct Investment has grown by over 50 per cent from \$1.9 trillion five years ago, to reach approximately \$2.9 trillion as at end-2023.<sup>1</sup> This trajectory is expected to continue.

16. To sustain our economic growth, Singapore, as a small economy, cannot afford to turn away from the global market. Nor can we have the global market turn away from us.

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<sup>1</sup> Data Source: Singapore Department of Statistics (DOS), Feb 2024.

- a. Mr Liang Eng Hwa, Ms Jessica Tan and Mr Sharael Taha asked what the Government is doing to ensure Singapore will remain competitive and attractive to global investors.
- b. For a start, we must expand international and regional connectivity by continuing to strengthen the rules-based trading architecture, to widen our economic space and tap on global opportunities. This will allow us to evolve innovative trade cooperation models across different geographies, enlarge our community of trading partners, and establish connections with new markets.
- c. We will continue to deepen cooperation with our global partners to grow trade and attract investments. We will engage our partners through current platforms like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and Indo-Pacific Economic Framework for Prosperity; as well as via bilateral partnerships, like the US-Singapore Partnership for Growth and Innovation, China-Singapore Free Trade Agreement, and the India-Singapore Ministerial Roundtable.

17. Closer to home, the Southeast Asian region is projected to grow more quickly than the global economy over the next five years.

- a. Within ASEAN, trade in goods grew by about 30% from US\$645 billion in 2018 to US\$857 billion in 2022.<sup>2</sup> ASEAN as a grouping is also strengthening external relations with our partners. Under Indonesia's Chairmanship last year, ASEAN concluded negotiations to upgrade the ASEAN-Australia-New Zealand FTA. We are currently negotiating an FTA with Canada, as well as upgrading and reviewing ASEAN's Agreements with China and India.
- b. We have also stepped-up cooperation with our immediate neighbours. For example, we are exploring the establishment of a Johor-Singapore Special Economic Zone to bolster our economic cooperation with Malaysia and Johor. We signed a Memorandum of Understanding in January this year and agreed to work towards improving cross-border flows in goods, people, and investments.

### *Promoting investment and adoption of new technologies*

18. Mr Liang Eng Hwa, Ms Foo Mee Har and Mr Neil Parekh asked how MTI intends to attract investments and support enterprises to capture future growth opportunities.

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<sup>2</sup> Source: ASEAN Statistical Highlights 2023

19. First, as announced by DPM Wong, we will enhance our investment promotion toolkit by introducing a new Refundable Investment Credit (RIC). This is a tax credit with a refundable cash feature. The RIC will support qualified firms in developing high-value and substantive economic activities in Singapore, such as the setting up or expansion of manufacturing facilities, commodity trading, R&D and innovation, and decarbonisation activities. As pointed out by Ms Mariam Jafaar, the RIC will bolster our competitiveness in attracting and anchoring quality investments to create more opportunities and good jobs for Singaporeans.

20. We will also help our companies ride the global wave of technological advancement and pursue opportunities in new growth areas such as advanced manufacturing, AI, and sustainability. By being early movers and adopters, we can sharpen our companies' competitive edge, capture the rapid growth of these new markets, and develop world-leading enterprises.

21. Manufacturing is a key pillar of our economy. As Mr Saktiandi Supaat has noted, it contributes about one-fifth of our GDP and employs about one-eighth of our workforce. We will double down on our strengths in robotics and automation to target higher-value opportunities in advanced manufacturing, and secure new growth pathways.

- a. In the biomedical sciences sector for example, the nascent field of Precision Medicine has strong growth potential, with a global market size of US\$74 billion in 2022 which is projected to grow at an average rate of 11.5% a year up to 2030. We will identify and nurture promising local startups with the potential to develop cutting-edge solutions.
- b. One such company, Engine Biosciences, has developed a proprietary platform which uses AI, machine learning, and gene editing to discover gene interactions to yield promising new therapies. Engine Biosciences is currently in the pre-clinical stage and intends to leverage its R&D base in Singapore to expand into the international market.

22. The unprecedented growth of Artificial Intelligence (AI) will accelerate in the coming years, with its market size projected to rocket from US\$150 billion in 2023 to US\$1.35 trillion in 2030. We must stay abreast of these developments and ensure that our businesses can reap the AI dividend. We will take both a company- and sectoral-based approach to drive AI adoption.

- a. We will partner 100 companies to build internal AI capabilities, develop and adopt AI solutions. We hope that each of these companies will become a Centre of Excellence (CoE) for AI in its own right.

- b. We will also set up sectoral AI CoEs to address sector-wide use cases and build domain-specific capabilities. As a start, A\*STAR will launch a manufacturing sector AI CoE by the end of this year. The CoE will convene stakeholders from industry, research, and the start-up scene to develop AI-enabled solutions that address use cases in the manufacturing sector. We will learn from this pilot and study how we might expand the same thing to other sectors.

23. The transition to a low-carbon and sustainable economy will also present new green growth opportunities. For instance, we have established a vibrant carbon services and trading ecosystem to take advantage of the growth in the global carbon market.

24. There are also opportunities to develop sustainable products, such as biofuels, sustainable aviation fuel and green chemicals, which support our green growth objectives.

- a. For example, Neste expanded its biorefinery in Singapore in 2023, making us the world's largest producer of sustainable aviation fuel. In addition, chemicals company Arkema has built its bio-factory on Jurong Island to produce high-performance polymers made from sustainable materials.

25. We are also working closely with the marine and offshore engineering (M&OE) sector to ensure that it is productive, globally competitive, and well-positioned to leverage new growth opportunities.

- a. This requires the sector to rethink its operating model, pivot to higher-skilled, higher-value activities, and reduce its reliance on foreign manpower. To catalyse this shift, we will progressively adjust the marine shipyard sector's concessionary Dependency Ratio Ceiling (DRC) from a ratio of 3.5:1 (77.8%) to 3:1 (75%) in 2026. We will monitor developments in the sector before making further adjustments.

- a. We will also proceed with the increase in foreign worker levies announced in 2013 but deferred in view of the M&OE downturn and COVID-19 pandemic. These moves will be discussed further in MOM's COS segment, as part of the Government's broader manpower strategy.

- b. We recognise that transformation, while necessary, is never easy. We will thus provide a M&OE Support Package totalling around \$100 million over the next five years, to help companies transform, uplift our workers and position the M&OE sector for new growth opportunities. This will enable us to become a globally impactful and thriving hub that can deliver sustainable solutions in the M&OE value chain.

- c. One growth opportunity that we are exploring is offshore wind, with a global market which is projected to grow rapidly at an average rate of 22% per year until 2030. Some companies have already embarked on this journey, such as Seatrium which is working on several large offshore wind projects. We will identify and capture opportunities along the value chain and anchor them in Singapore.
- d. One promising local startup is BeeX, which designs, builds and deploys hovering autonomous underwater vehicles (HAUVs) to conduct inspections of offshore windfarms. BeeX built its first HAUV with a \$500,000 Startup SG Tech grant. Its solutions have been validated internationally and it is currently working on a high-spec, second-generation HAUV+.

26. I have outlined our plans to continue attracting quality investments into Singapore. We will also support enterprise collaborations and invest in our innovation ecosystem.

27. First, Ms Foo Mee Har, Mr Mark Lee and Mr Edward Chia will be happy to know that we will enhance the Partnerships for Capability Transformation scheme, or PACT. Today, the scheme encourages partnerships between larger (MNCs, LLEs) and smaller enterprises (SMEs) on supplier development and co-innovation. Going forward, we will expand PACT to more industries and modalities, including capability training, internationalisation and corporate venturing.

- a. Allow me to share a few examples of collaborations facilitated by PACT. For instance, GlobalFoundries was able to work closely with its supplier, Forefront AM, to scale up its capability in additive manufacturing so that it can now repair some of GlobalFoundries' high-value semiconductor manufacturing tools.
- b. Another example is SATS, which has organised capacity building workshops, with PACT support, to help its SME suppliers understand and track their carbon emissions. SATS also intends to encourage its suppliers to embark on decarbonisation initiatives.
- c. We aim to facilitate 100 new PACT partnerships over the next five years. This will provide more opportunities for SMEs to level up their capabilities, enhance their competitiveness and plug into global and regional value chains.

28. We will also invest in innovation efforts, including upstream research, translation and commercialisation. Since its launch in 2016, the Startup SG Equity



Scheme has catalysed over \$2.3 billion in private sector funding for over 230 Singapore-based startups, including in new growth areas such as advanced manufacturing, pharmbio, medtech, and agrifood tech. We are working on further enhancements to the Startup SG Equity Scheme and will announce details later this year.

### *Developing our talent*

29. Third, while we will need to continue tapping on global talent to complement our local workforce to grow our economy, we will redouble efforts to strengthen our local talent pool so that Singaporeans can benefit from this growth.

- a. As Mr Liang Eng Hwa commented, amidst intensifying global competition for talent, we will have to ensure that our companies have access to a pipeline of Singaporean corporate leaders, in line with recommendations from the Forward Singapore consultation.
- b. We will introduce a new initiative, the Global Business Leaders Programme (GBLP), to support key companies in sending their Singaporean middle to senior managers with leadership potential for overseas postings and other developmental opportunities. GBLP participants will be inducted as Singapore Leaders Network Fellows, where they will receive mentoring and grow their professional networks.
- c. The GBLP will support companies in their regionalisation efforts and in growing a pipeline of Singaporean corporate leaders who can take their businesses to new heights. This will complement MOM's local workforce development efforts to support career resilience, better career health and longer career trajectories for all levels of workers.

### **Conclusion**

30. Sir, in summary, I spoke about providing near-term support to our enterprises via the Enterprise Support Package, to help them address immediate challenges. At the same time, we need to invest in our longer-term future and drive economic growth. We can achieve this by leveraging our trade networks, spearheading the adoption of new technologies, and developing our talent.

31. Economic transformation has always been a key priority for us. DPM Heng earlier underlined the importance of transformation in our growth journey. Indeed, transformation is the constant in this fast-changing world. We must remain agile and continue to grow our economy by seizing new opportunities, and making ourselves ever more productive, innovative, and competitive.

32. While there will still be uncertainties and challenges in the future, if all of us work together as Team Singapore, with workers, businesses, trade associations and chambers, and unions each playing our part, we can remain relevant on the global stage and enhance our heft. We can seize new opportunities for growth, improve the lives of all Singaporeans, and build our shared economic future together.

33. Thank you.