Road to Recovery
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Road to Recovery

Singapore’s Journey through the Global Crisis

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INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore
For my parents
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Foreword

When I received the manuscript of this book from Ms Sanchita Basu Das, Lead Researcher for Economic Affairs in the ASEAN Studies Centre at the Institute of Southeast Asian Studies, I was, for a brief moment, reminded of the thoughts that ran through my head when I first heard the news of the collapse of Lehman Brothers. I felt at that time that the world was witnessing the beginning of something that may be a lot worse than any of the crises we have been through in our working lives. But nothing prepared me for the quantum of loss that the world suffered, both in financial and human terms.

There have been a lot of books written subsequently on what happened during those tumultuous days, and on the coordinated response of governments in the subsequent months. However, I was happy to see that this particular manuscript focuses on the actions taken specifically by Singapore policymakers to manage the effects of the crisis. Singapore has over the past few decades transformed itself into a major financial centre, a contemporary global city that attracts talents internationally. Yet, being a city that bridges the East and West, Singapore was one of the first in Asia to bear the brunt of the global crisis in 2008.

This book gives an insight into both the global crisis and the experience of Singapore. Aptly titled The Road to Recovery, it has indeed been a journey for the residents of this country, who endured pain and misery in the immediate
aftermath of the crisis, but then slowly marched towards a recovery, albeit a fragile one. The directions to this path were of course led by the Singapore Government, who enacted Singapore’s most radical budget ever in 2009. At the same time the Monetary Authority of Singapore kept a close watch on the currency to ensure it did not go through the same wild fluctuations that befell the G-10 currencies. As a result, when the global economy showed signs of turning around in the second quarter of 2009, Singapore was one of the first countries to benefit. Indeed the spectacular quarter-on-quarter growth in Q3-2009 was as much a testimony to the global recovery as to the immediate effects of the policy changes.

Ms Basu Das, an alumnus of NUS Business School, has written an accessible and comprehensive study on the crisis. The book presents a balanced opinion and provides a clear economic perspective for the city state in the post-crisis global economy. In addition, it gives a bird’s eye view of the road map to the future for Singapore, which will hopefully make the country a lot more self sufficient than it has been in the past. The book will be suitable for academics as well as students of economics and policy studies. It will also be useful for those who are curious to know what happened behind the scenes during the crisis in the circle of policymakers. I hope you will enjoy reading and learning from the book!

Professor Bernard Yeung
Dean and Stephen Riady Distinguished Professor of Finance
NUS Business School
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Writing this book has been a wonderful and enriching experience for me, which would not have been possible without the help, support, and advice of my colleagues and family. The Institute of Southeast Asian Studies (ISEAS), Singapore provided me with the platform to write a book on Singapore and the global economic crisis. For this I am grateful to ISEAS Director Ambassador K. Kesavapany who gave me the original inspiration to set about writing this book. I would like to thank Lee Poh Onn, Regional Economic Studies Programme Coordinator at ISEAS, for his encouragement and timely advice. Many thanks go also to Ambassador Rodolfo C. Severino, Head of the ASEAN Studies Centre at ISEAS, for his support and cooperation in letting me write the book in addition to my core responsibility in the centre. My sincere thanks to Triena Ong, Managing Editor of ISEAS Publishing, and Stephen Logan, Editor – Special Projects, for guiding me through the publishing process.

I owe my sincere gratitude to Manu Bhaskaran, Partner/Head of Economics Research, Centennial Group Holdings, for his valuable comments and advice on what I had got wrong or forgotten while writing the book. Thanks also go to Kee Rui Xiong, Economist at the Macroeconomic Surveillance Department of the Monetary Authority of Singapore, who read and gave feedback on sections of the draft manuscript. I am privileged to have the Foreword...
by Prof. Bernard Yeung, Dean of NUS Business School, which I earnestly acknowledge.

Writing this book was also a test for my family, and I am grateful for their support. I wish to thank my husband, Subhro, whose encouragement and understanding as well as his constructive comments were very important for the completion of this book. My son, Adi, gave me the break from work that made writing the book easier, and I thank him for that. I would also like to extend my appreciation to my in-laws, Amita and Subhrendu Das, for always reading my write-ups with interest. I truthfully thank my parents, Pratima and Sankar Nath Basu, who have always associated themselves to the fullest extent with all my work, both when I was a student and now when I am a professional. I dedicate this book to them.
Abbreviations

3mma three-month moving average
ACU Asian currency units
ADB Asian Development Bank
AEC ASEAN Economic Community
AIG American Insurance Group
ASEAN Association of Southeast Asian Nations
AWS Annual Wage Supplement
BIS Bank of International Settlements
BLP Bridging Loan Programme
bn billion
CAR capital adequacy ratio
CET continuing education and training
CMI Chiang Mai Initiative
CMIM Chiang Mai Initiative Multilateralization
CPF Central Provident Fund
CPI consumer price inflation
DBU domestic banking units
ECB European Central Bank
EDB Economic Development Board
EIU Economic Intelligence Unit
EME emerging market economies
ESC Economic Strategies Committee
EU European Union
FDI foreign direct investment
FGIP Finance Graduate Immersion Programme
FTA free trade agreement
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>FX</td>
<td>foreign exchange</td>
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<td>FY</td>
<td>fiscal year (April–March)</td>
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<td>G-20</td>
<td>Group of Twenty</td>
</tr>
<tr>
<td>G-3</td>
<td>United States, eurozone, and Japan</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>GFSR</td>
<td>Global Financial Stability Report</td>
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<td>GIC</td>
<td>Government Investment Corporation</td>
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<td>GST</td>
<td>goods and services tax</td>
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<td>H1-2008</td>
<td>first half of 2008</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IR</td>
<td>Integrated Resorts</td>
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<tr>
<td>IT</td>
<td>information technology</td>
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<td>JCS</td>
<td>Job Credit Scheme</td>
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<td>KLSE</td>
<td>Kuala Lumpur Stock Exchange</td>
</tr>
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<td>LIBOR</td>
<td>London Interbank Offered Rate</td>
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<td>LHS</td>
<td>left hand side</td>
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<td>MAS</td>
<td>Monetary Authority of Singapore</td>
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<tr>
<td>M&amp;A</td>
<td>mergers and acquisitions</td>
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<td>MEPS</td>
<td>MAS Electronic Payment System</td>
</tr>
<tr>
<td>MMA</td>
<td>month moving average</td>
</tr>
<tr>
<td>MNC</td>
<td>multinational corporation</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOM</td>
<td>Ministry of Manpower</td>
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<tr>
<td>MRT</td>
<td>Mass Rapid Transit</td>
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<tr>
<td>MTI</td>
<td>Ministry of Trade and Industry</td>
</tr>
<tr>
<td>MVC</td>
<td>monthly variable component</td>
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<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<td>NEER</td>
<td>nominal effective exchange rate</td>
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<td>NII</td>
<td>net investment income</td>
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<tr>
<td>NODX</td>
<td>non-oil domestic exports</td>
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Abbreviations

NPL  non-performing loans
NWC  National Wages Council
PIC  Productivity and Innovation Credit
PMETr  professionals, managers, executives, and technicians
Q1-2009  first quarter of 2009
q/q  quarter-on-quarter
R&D  research and development
RHS  right hand side
sa  seasonally adjusted
saar  seasonally adjusted annualized rate
SG$  Singapore Dollar
SIBOR  Singapore Interbank Offered Rate
SME  small and medium enterprises
SPUR  Skills Programme for Upgrading and Resilience
SRI  Special Risk-Sharing Initiative
STI  Straits Times Index
SWF  sovereign wealth fund
TARP  Troubled Assets Relief Programme
UEN  Unique Entity Number
UK  United Kingdom
U.S.  United States
US$  U.S. Dollar
WB  World Bank
WDA  Workforce Development Agency
WEO  World Economic Outlook
WIS  Workfare Income Supplement
YA  year of assessment
Y/Y  year-on-year