It is important to put in place the right structural policies so that resources can be put to the most productive use and the economy can grow in a sustainable way, said Singapore’s Education Minister Heng Swee Keat.

SINGAPORE: It is important to put in place the right structural policies so that resources can be put to the most productive use and the economy can grow in a sustainable way, said Singapore’s Education Minister Heng Swee Keat.

But such policies take time to bear fruit and can be politically unpopular in the short term.

Mr Heng was speaking to economists and business leaders at a conference organised by the Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy.

He said structural policies cover a very wide area, from fiscal, infrastructure, education, the structure of the labour market and the rule of law.

Mr Heng said he believes that in the coming years, structural policies are going to be more important than ever to emerging economies, particularly those in Asia.

That is because with globalisation and inter-connectedness, what happens in one part of the world can be transmitted to another region quickly.

The impact of the global financial crisis was just one example, said Mr Heng, who was managing director of the Monetary Authority of Singapore (MAS) at the time of the crisis.

Mr Heng said: "When you think about it, it is quite astounding that problems that originated in the mortgage market in the US created such a contagion in banks across the world, especially banks in Europe, which then spread to many parts of Asia.

"Many of us would recall that how, at the height of the global financial crisis, trade credit dried up. And then in turn, economies which were export-driven, including Singapore, faced a very sharp fall partly because of problems in the financial system over trade credit, partly because confidence just evaporated."

But while structural policies are important, Mr Heng acknowledged, they are also the most difficult to implement.
That is because the results will only show in the long run, but the change is immediate, and some groups may be more adversely affected than others in the citizenry.

So many groups would be against changes and prefer the status quo.

Mr Heng added: "Politically, many economies would face the elections every few years, and it is very difficult to pursue good long-term policies. And the longer term the policies, the greater the uncertainty because there are many intervening variables and unknowns in between.

"And therefore, many policy makers often pause to think if that's the right thing to do or if I should do something else. It is very often easier to kick the can down the road and wait for problems to come than deal with the problems proactively.

"And what we see in the fiscal problem in the US is a perfect example of this. Everybody knows that it is not sustainable, but nobody would like to deal with it in a decisive way."

That is why in formulating good policies, there is a need to know the strengths and weaknesses of the economy, as well as the threats and opportunities it can face in the future.

Mr Heng said this is where the work of the Asia Competitiveness Institute comes in as it can provide a valuable set of benchmarks across economies, provinces and regions.

Tan Khee Giap, co-director of the Asia Competitiveness Institute, said: "We now have data through surveys -- these are very precious data -- which allows us to have in-depth analysis on the local economies, on the cities and the lives of ordinary people. This is the reason why we are doing this competitiveness studies.

"We are concerned about the life of the ordinary people, whether they are getting a better quality of life, whether their standard of living improves and we can only understand this if we look into the details of the local economies."

During the conference, five books on competitiveness studies done in regions in China, India and ASEAN were launched.

- CNA/gn