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Mr Heng Swee Keat  
Deputy Prime Minister  
Minister for Finance  
Republic of Singapore

*Dear Mr. Heng,*

#### **AMCHAM FEEDBACK FOR SINGAPORE BUDGET 2021**

The American Chamber of Commerce in Singapore (AmCham) welcomes the opportunity to provide feedback to the Ministry of Finance for Budget 2021. AmCham is the leading international business association in Singapore, with over 5,000 members representing nearly 600 companies – many of whom have their regional headquarters in Singapore. AmCham member companies represent the best of American business values: free enterprise, fairness, creativity, respect for people from diverse backgrounds, and optimism. As we celebrate AmCham's 48<sup>th</sup> anniversary in 2021, we look forward to strengthening our partnership with the Singapore Government.

AmCham's feedback for Budget 2021 covers the following areas:

1. Healthcare
2. Foreign Talent and Manpower
3. Economy and Business Environment
4. Environment and Sustainability
5. Innovation and R&D

## 1. Healthcare

For nearly 12 months, Singapore has been grappling with the COVID-19 pandemic along with the rest of the world. Understandably, managing COVID-19 has taken precedence given the far-reaching disruption the virus has caused across the medical and healthcare system, the economy, cross-border travel, supply chain, business operations, employment and society at large. With the strong support of the Singapore Government during the crisis, the AmCham business community is keen to move into the recovery phase and return to more stable and sustainable pre-COVID levels of productivity and activity. However, to ensure worker and public safety, a new way of working is required that depends upon effective vaccines that are accessible to the majority of the population. In addition, consistent and efficient COVID-19 testing should be complemented by continued public health vigilance, including digital contact tracing and safe distancing measures.

Yet, while COVID-19 remains of grave concern, other healthcare needs have not gone away. Mental health, diabetes, cancer, chronic diseases, and other diseases of aging still require attention. We would urge the government to continue efforts to improve community health, drive health promotion, enhance community-based services, and ensure that healthcare remains affordable with adequate subsidies for those who need it most. Data and technology are key to these efforts and help to improve real time understanding of population health, reduce response time, and improve outcomes.

AmCham member companies in the life sciences industry, e.g., pharmaceutical, medtech and diagnostics, have been collaborating with the Singapore Government to provide products and services that help to address the pandemic as well as ongoing healthcare needs. As with other industries, digital transformation is needed to deliver consistent healthcare while minimizing the risk of COVID-19 from physical visits to the clinic. For example, member companies have offerings that support telemedicine and enable follow-ups of approved chronic diseases. Member companies have also maintained their commitment to internal and external training of employees and healthcare professionals in addition to sharing best practices with key stakeholders in the public and private sectors.

**AmCham supports close public-private partnerships for innovation and research & development, particularly those that support COVID-19 vaccine development, distribution and equitable access; widespread COVID-19 testing to facilitate the return of employees to the workplace, events, and business travel; and digital tools to improve individual and population health outcomes.**

## 2. Foreign Talent and Manpower

Even before the outbreak of COVID-19, Singapore had forecasted talent gaps in the workforce. With a relatively small population, Singapore has acknowledged the need to look beyond its borders to find equilibrium in the supply-and-demand of talent within the domestic market while also protecting and growing the “Singapore Core”. Singapore’s status as an international hub can only grow stronger when a complementary workforce of foreign and local talent is available to carry out the work required by regional and global headquarters. Particularly in times of crisis, Singapore will remain resilient as long as there is continued focus on upskilling workers and welcoming talent from around the world to service markets globally.

Decisions to hire either foreign or local talent must take into consideration a candidate's skills (both hard and soft), capabilities, experience, potential to grow, budgetary considerations, and overall cultural fit. In a recent AmCham survey<sup>1</sup>, members shared that one of the biggest obstacles to recruiting Singaporeans is candidates' lack of technical skills or knowledge for the job. AmCham applauds the government's efforts to support workers with programs such as SGUnited Jobs Initiative, Traineeships Program, Mid-Career Pathways Program, and Skills Program.

AmCham member companies recognize the importance of training their employees to meet the challenges of the present and future. AmCham's 2020 Manpower Survey identified that for senior level roles, employers find it difficult to recruit local candidates with the right skills and experience. The survey also reports that a gap exists in Singaporeans working abroad in regional or leadership positions. For this reason, AmCham has invested in developing local talent to help them adapt and grow their skillsets and stand out to be promoted to senior level positions in Singapore and overseas. For example, the AmCham Next Generation Business Leadership Program (*NextGen Upgrade*) is a year-long program with sessions led by AmCham member companies and partners (e.g., Emergenetics, Bain & Company, Mercer, NTUC LearningHub, and Center for Creative Leadership) targeting mid-level managers and provides training across four modules: personal development, functional expertise, leadership and career planning.

COVID-19 has demanded that companies rethink how leaders and employees can embody resilience and adaptability for business stability, sustainability and growth. Particularly to support Singapore's Smart Nation drive, it will be important to attract talent with the requisite digital skills so that Singapore can transition from being digital consumers into digital producers. **AmCham welcomes partnerships with the Singapore Government on programs such as NextGen Upgrade to prepare workers for jobs with increasing levels of responsibility and reward; and to cultivate their ability to find new insights for generating innovative ideas.**

### 3. Economy and Business Environment

#### *Fiscal Sustainability*

The COVID-19 pandemic this year has resulted in significant economic stress impacting governments and businesses alike. To lay the groundwork for long-term and sustainable growth, AmCham supports a tax regime that balances revenue generation with the need to continue fostering and maintaining a conducive investment climate that can support growth in key sectors of the economy, structural increases in healthcare spending, education and security, and public sector infrastructure projects. AmCham supports the Singapore Government's need to maintain fiscal sustainability – planning for the long term even in the face of drastic COVID-19 demands on resources.

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<sup>1</sup> AmCham 2020 Manpower Survey, <https://amcham.com.sg/wp-content/uploads/2020/09/Manpower-Survey-2020.pdf>

While projected government expenses may be partially offset by revenues generated from taxes, increases in the Goods and Services Tax (GST), for instance, must take into account unintended consequences. Sudden and excessive tax increases may lead to significant price gaps between Singapore and neighboring countries. The pronounced arbitrage opportunity incentivizes smugglers, rewards criminal organizations and can result in an inward flow of illicit products that negatively impacts retail businesses already finding it tough to cope with reduced demand and lower revenues. **AmCham encourages the Singapore Government to implement tax policies in a moderate manner to effectively achieve societal and revenue objectives.**

#### *Illicit Trade and Counterfeits*

The rise of e-commerce in Southeast Asia coupled with an increase in online shopping activity have led to a spike in counterfeit goods in the market. Troublingly, a growing proportion consist of counterfeit pharmaceuticals and fake medical products for the management and treatment of COVID-19, such as diagnostic tests, surgical masks and disinfectants.

A 2020 OECD study<sup>2</sup> found that China, Singapore and India are the main provenance economies for fake medicines, with the United Arab Emirates, Singapore and Hong Kong among the most important transit points for shipment of fake pharmaceuticals anywhere in the world. The COVID-19 pandemic has significantly underscored the importance of addressing counterfeits at a regulatory level. **AmCham encourages increased allocation of resources to law enforcement agencies to combat illicit trade as well as the research and development of industry 4.0 anti-counterfeiting solutions so that manufacturers, brands and retailers can track and trace throughout the supply chain.**

#### *Small and Medium-Sized Enterprises (SMEs)*

In 2019, SMEs contributed 44% to Singapore's GDP, employing 72% of the country's workforce and constituting 99% of all its enterprises<sup>3</sup>. These statistics underpin the importance of overall SME business health to the Singapore economy. While impact of COVID-19 was felt by the entire business community, the long term recovery of Singapore's economy is closely intertwined with SME resiliency and sustainability through this uncertain time.

Key initiatives aimed at supporting SMEs were expanded and enhanced through four rounds of budget measures in 2020. These critical programs included support for vital business operations such as cash flow, business expenses, credit, and digitalization. In a recent AmCham survey<sup>4</sup>, 77% of AmCham SME members reported that the budget measures were helpful for their businesses. However, economic recovery will not be fast and could be unachievable for a significant number of SMEs. In November 2020, AmCham will be launching the SME ACCelerate Program which aims to support nearly 200 AmCham SME member companies in the areas of employee wellness, partnerships, and women-owned/led businesses. **AmCham encourages the Singapore Government to continue supporting SMEs, which will in turn mitigate the economic downturn from COVID-19 and contribute to faster and stronger economic recovery for Singapore.**

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<sup>2</sup> 2020 OECD Report: Trade in Counterfeit Pharmaceutical Products, <http://www.oecd.org/gov/trade-in-counterfeit-pharmaceutical-products-a7c7e054-en.htm>

<sup>3</sup> Department of Statistics, 2020, <https://www.singstat.gov.sg/modules/infographics/economy>

<sup>4</sup> AmCham 2020 Manpower Survey

### *Travel and Aerospace Ecosystem*

As a travel and aviation hub, Singapore boasts over 130 aerospace companies and 22,000 aerospace professionals. Singapore's aerospace industry also contributes 10% of global maintenance, repair and operations (MRO) output.<sup>5</sup> Despite the devastating impact of COVID-19 on cross-border travel with repercussions on the aerospace and travel & leisure industry, the Singapore Government has done a commendable job of rolling out much needed budget measures to support workers and businesses. The recent Enhanced Training Support Package for the aerospace sector is a strong example of the government's foresight in supporting sectors that are critical for Singapore's recovery.

With green lanes and travel bubbles combined with the increased availability of COVID-19 testing, Singapore is expected to recover its status as an aviation hub -- an important turning point for Singapore's economy. In addition to supporting core businesses in the travel and leisure industry, businesses that contribute to the travel and aerospace value chain also require attention and support. **AmCham encourages the Singapore Government to continue supporting businesses in the travel and aerospace sectors, with additional support and investment to civilian companies in the wider aerospace ecosystem, which will position Singapore for faster recovery as travel returns to previous levels.**

### *Trade Agreements*

Rising protectionism and COVID-19 related disruptions are impacting how companies view the trade landscape. According to AmCham's 2020 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Survey, 70% of respondents believe that trade agreements like the CPTPP are broadly beneficial for trade in the Asia Pacific region. However, while most companies find the CPTPP beneficial, utilization remains low with only 51% of companies reporting that they had utilized any part of the CPTPP. Of these companies, 60% had benefited from tariff reductions, optimized supply chain, increased market access, and reduced paperwork and lower compliance costs.

Furthermore, the survey found that protectionism and pandemic-related disruptions are leading 34% of respondents to adjust their supply chains, 48% looking to diversity to other APAC countries and 40% re-looking at their business strategy in APAC. Trade deals like the CPTPP provide avenues for firms to invest and diversify in this region and are increasingly relevant amidst rising protectionism. **To mitigate the impact of COVID-19 and slower global growth, AmCham encourages increased resources and education of the business community on how to take advantage of trade agreements that include Singapore, with a focus on sector-specific use and benefits.**

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<sup>5</sup> Singapore's Aerospace Industry: Key Facts & Figures, <https://www.edb.gov.sg/en/our-industries/aerospace.html>

#### 4. Environment & Sustainability

AmCham was heartened by the announcement of the rebranded Ministry of Sustainability and the Environment (MSE) in July which acknowledged the increased importance of sustainability as part of the national agenda. Particularly in the early days of the COVID-19 pandemic when there was widespread fear of food shortages, sustainability also needed to take into account food security and safety. Additionally, AmCham member companies are impacted by the trickledown impact of climate change on water and energy resources that are needed to power manufacturing facilities, offices, and data centers, to name a few. We are also supportive of resource sustainability, zero-waste initiatives, adoption of the circular economy, green jobs and business opportunities wherever possible. **AmCham is aligned with the Singapore Government's commitment to provide Singaporeans with a clean and sustainable environment, and resilient supplies of safe food and water to build a resource-efficient and climate-resilient nation.**

Environmental, social, and governance (ESG) issues are also a priority for U.S. businesses, especially in the wake of COVID-19. In this current environment, ESG matters are viewed as critical to understanding the full risk profile of a company and its preparedness for the future. Recognition of sustainability as a key pillar of Singapore's 2020 Budget and Temasek's commitment to achieving carbon neutrality sends a strong message to businesses operating in Singapore and the regional financial markets. Likewise, the introduction of sustainability reporting guidelines for listed companies on the Singapore Exchange is viewed positively. Companies that can articulate a sustainable long-term value creation strategy outlining growth opportunities and related risks have a competitive advantage over the long term. **AmCham believes that Singapore has a leadership role to play in promoting ESG as a critical part of economic growth.**

Critically, businesses are calling for strong incentive mechanisms to be provided by the Singapore Government to achieve ESG regulations. The provision of tax or financial rebates, deductions and incentives for businesses that incur high costs would help channel significant capital flows toward a lower-carbon economy. There is also the need to identify consistent benchmarks for ESG performance across not only sectors but also between companies whose operations may cross sector definitions. **AmCham requests the Singapore Government's leadership to develop clear government policy, regulations and benchmarks. We would also welcome the opportunity to contribute to ongoing dialogue for the formation and introduction of the necessary incentives to integrate ESG into business models.**

## 5. Innovation and Research & Development (R&D)

For Singapore to maintain its position and grow further as a technology and innovation hub, continued investment in R&D is critical. U.S. companies are deeply invested in R&D efforts globally as well as in Singapore. In 2019, U.S. companies pledged 4 billion USD in future investments in Singapore's manufacturing and services sectors<sup>6</sup> demonstrating the country's importance as an innovation center, regional business hub and advanced manufacturing base to service the world. Additionally, as DPM Heng Swee Keat has said, the digital economy, cybersecurity, and digitalization must be a priority for Singapore in the long term particularly as it prepares to roll out the Research, Innovation and Enterprise 2025 plan.

The COVID-19 pandemic has demonstrated the importance of public-private partnerships, especially in the development of innovative solutions to safeguard public health. Until a vaccine is developed and readily available globally, the pandemic will continue to be a key concern for governments and businesses alike. Collaboration founded on science and evidence-based policy making would hence be crucial to making concrete progress on achieving positive public health outcomes.

**AmCham encourages deeper collaboration between the government and private sector on R&D efforts in healthcare, technology, fintech, cybersecurity and other key sectors, including the continued testing of regulatory innovations such as sandboxes and new product trials, with appropriate safeguards in place.**

AmCham would like to thank the Ministry of Finance for the opportunity to provide feedback for 2021 Budget. We would be pleased to facilitate further discussions between the Singapore Government and AmCham member companies to share best practices and co-develop programs to drive economic and business transformation. Our 14 sectoral and functional committees are currently preparing points-of-view papers that will highlight trends crucial to business stability, sustainability and growth in 2021. We look forward to sharing these papers and continuing the dialogue.

Yours Sincerely,



Hsien-Hsien Lei, PhD  
Chief Executive Officer

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<sup>6</sup> U.S. Department of State, 2020 Investment Climate Statements: Singapore, <https://www.state.gov/reports/2020-investment-climate-statements/singapore/>