The future is ours to make" — that's the slogan of this year's National Day celebration. Yet what's being painted as the future also played an important role in the past. Significantly, while in the 1960s, Singapore's future as a port was in doubt, the rise of China now has reaffirmed the importance of logistics, shipping and services in our economy. We should be thankful then that, in 1848, a certain Captain Henry Keppel decided to build a deep-water port as a depot for coal in the era of steamships. By 1903, that port he selected — Singapore — had become the seventh largest in the world by shipping tonnage. And the rest, as they say, is history.

The port was all Singapore really had when it gained independence in 1965. It was a large employer, at a time when almost one in 10 persons couldn't get a job, and a key driver of the economy, which depended on trade flows and transhipment cargo (cargo that's moved from one ship to another, bound for a different destination). However, the then chairman of Keppel Shipyard (Pte) Ltd, Hon Sui Sen, had a bold plan to turn Singapore into Asia's largest shiprepair centre, after Japan. As the port thrived, so did Singapore's neighbours into disarray. Since then, the local economy has become more volatile and the republic suffered its worst recession since independence when the economy shrank 2% in 2001. Despite that, the progress since independence has been nothing short of spectacular. In 1965, income per capita was less than 16% of that in the US. Last year, it was the second highest in Asia after Japan and about two-thirds of the US figure. Over that time, real GDP has charged up at an average of 8% a year, while inflation averaged a mere 2.8% a year. Meanwhile, the World Competitiveness Yearbook 2005, published by the International Institute for Management Development, ranks Singapore as the world's third most competitive economy, based on economic performance, government and business efficiency, and infrastructure.

Keep reinventing
All that is cause for applause but what does a much re-engineered Singapore need to do to keep its economy growing, especially as China and India alter the region's dynamics? Reinvent itself again and again. New growth drivers have been identified in manufacturing — namely, biomedical sciences and chemicals — while in services, the finance, offshore/logistics, aviation, education, tourism and healthcare industries remain key. In a new book launched last Tuesday titled The Economic Prospects of Singapore, academics from Singapore Management University (SMU) offer suggestions. Most are not new, however, and rotate around the familiar themes of building a knowledge-based economy, upgrading skills, acquiring talent, promoting innovation and entrepreneurship, and the like.

The challenge for Singapore is to maintain its competitive edge by improving its manufacturing productivity and building niches of excellence," writes Winston Koh, associate professor of economics and associate dean at SMU's School of Economics and Social Sciences. Its future will depend increasingly on its ability to engage in technological creation and develop internal engines of growth, he says. The shift to an innovation-driven growth strategy will allow Singapore to continue to grow faster than the average 2% to 3% a year for advanced countries like the US, he adds.

Double the population
Augustine Tan, Practice Professor of Economics at SMU, points out, however, that there already appears to be a skills mismatch. The pharmaceutical industry contributes 8% of manufacturing output but provides only 0.6% of employment, with little stimulus to supporting industries. Structural unemployment is a growing problem, says Tan, a former member of Parliament. His solution? A "big bang" approach to double the population within the next two decades. "This will solve the erosion of asset values, alleviate the problems of an ageing society, bolster domestic demand and create a firmer base for the twin pillars of manufacturing and services," he says. The growth of Singapore's "external wing" should also be limited to channel more investment funds to the neglected domestic economy, he adds.

The last 40 years have been outstanding by any standard but the next 40 are anybody's guess, even for politicians and academics. One thing is certain: Singapore will need to keep making itself over, overhaul some of its institutions and be increasingly nimble in today's highly competitive world.