

• Outward Orientation of the Economy

Favourable exchange rate policy

Trade agreements

Linking with global value chains

Export oriented FDI

Service exports to the region

Supply constraints and competitiveness – education, infrastructure, technology

Political economy challenges of flexible exchange rate

• State Sector Reform

“Since the days of the Second World War, we have lived with a false notion that the Government must somehow intervene in the economic process,” and “We cannot sustain the belief that the Government must provide all services and solutions.”

Budget reference to encouragement of PPPs

Divestiture of “non-strategic” state enterprises

Temasek style holding company

Politically difficult to cut back on 1.3 + million state employees and 245 state owned enterprises that use up economic resources.

Regardless of ownership SOEs need a culture of accountability, transparent and measurable performance criteria.

Continued practice of state intervention in price setting – creates inefficient and wasteful use of scarce economic resources

- Fiscal Reform

Emphasis on fiscal sustainability and revenue enhancement.

More equitable tax structure with a shift from a 80:20 reliance on regressive indirect taxes to a 60:40

Budget revenue proposals optimistic at 38.5% revenue growth in 2016 with few measures to give teeth to it.

Lower emphasis on direct taxes and more on indirect taxes – at odds with PM statement

But – digitalization can be a step forward in improving tax administration. Longer term play – short term fiscal risks still significant