
II. ECONOMIC INFORMATION

Singapore's development over the past two decades has been based on economic diversification with government intervention. Long-term policies are aimed at maintaining a high growth rate through export-oriented industrialization and, concurrently, striving to be a centre for finance, insurance, tourism and technological capability. Economic policies, built around the 1965-1970 five-year development plan, and the 1971-1980 ten-year economic strategy have responded to changing domestic economic conditions and guarded the economy from fluctuations in external demand, protectionist pressures and increasing competition from labour-intensive industries of neighbouring countries.

In 1979, Singapore's "Second Industrial Revolution" was formalized as an economic policy centered on restructuring Singapore's production and increasing labour productivity in all sectors. Based on the premise that capital-intensive, technologically sophisticated products are likely to encounter a lesser degree of protectionist pressure than labour-intensive products, Singapore's manufacturing and export sectors were geared towards high-technology products. Concurrently, the government's new policy for workers emphasized higher wages, upgrading and training the work force, and increasing labour productivity.

Singapore's budgets for the period 1981-1984 continued previous economic restructuring trends involving increased government spending on education, worker training, defence, and developing the industrial and commercial infrastructure. Although in previous budgets, recurrent expenditures exceeded development expenditures, the opposite was true in the budgets for 1981-1984. Historically, Singapore's economy has been service-oriented, with the manufacturing sector recording the highest growth rate in the Eighties. The transport and communications sector as well as financial and business services also demonstrated rapid rates of growth in the Eighties.

In 1985, GDP in real terms fell by 1.8 per cent, after growing at an average annual rate of 10 per cent since 1964. This downturn was the result of the confluence of