SINGAPORE 1987

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Singapore was the world's fastest growing economy from 1960 to 1980 and enjoys the highest per capita income of any Third World country outside Arab OPEC.

Political risk in Singapore is minimal. Lee Kwan Yew has governed the country semi-democratically since 1959.

Singapore enjoys overwhelming advantages in the race for economic development:

---leadership which gives high priority to economic performance and has the skills to deliver;
---administrative institutions of high efficiency and morale and honesty;
---a consensus on how Singapore should be governed;
---a consensus on the overall structure of the economy;
---a high, although not perfect, degree of racial harmony;
---a labor force consistently rated the world's most efficient.

The principal risks to Singapore's future are Singaporean bureaucrats, who are to be found everywhere in Singapore and who gum up the works like molasses. More remote threats would be upheavals in Malaysia or Indonesia or the election of a government that would restrict capital movement or transfer of capital to heirs. One has to stretch to write such scenarios.

Singapore is governed by the People's Action Party, a highly institutionalized political operation under the leadership of Lee Kwan Yew. The PAP runs Singapore on the familiar Asian principle that democracy is a good thing so long as the opposition doesn't get any power. It has been disgruntled in recent years because in 1981 it lost one seat in the legislature and in 1984 it lost another -- which is two too many in the view of Lee Kwan Yew, who responded to the news by questioning whether one man one vote was the proper way to Singapore to go and by indicating the government might well save the money that would have gone into providing government services for the offending constituencies. Life is not easy for the two opposition legislators. One of them subsequently was convicted of a campaign offense just serious enough to keep him out of politics for some years.

Singaporean society enjoys all the money it has been making under Lee Kwan Yew; for many years, Singapore outpaced even Hong Kong and Taiwan in economic growth. Recently, however, less money has been made and there are mild rumblings that perhaps Lee's paternalism is a bit overbearing and his economic policies are a bit obsolescent.

Lee has responded to these rumblings like any good Confucian leader -- by passing yet another law allowing the government to crack down on anyone in the press who is so insolent as to criticize him or his policies excessively. It became regrettably necessary to ban Time magazine and to squeeze the criculation of the Asian Wall Street Journal and the Far Eastern Economic Review. Singapore will probably survive both the new law and the absence of Time. The Journal and the Review have transferred their printing for the region to Singapore, because of Singapore's efficiency, despite the squeezes.

Despite the overbearing paternalism, should something happen to Lee, he has made adequate preparations for successors. The government has a goodly number of promising aspirants. Just in case a shortage develops, Lee has made his son, former Brigadier General Lee Hsien-loong, available in a highly conspicuous job where he was the architect of policies to overcome the recent economic slump.

Singapore's embarrassing slump of 1985-6 resulted from:
---government over-regulation of the economy;
---government policies of boosting wages rapidly to drive out low tech industries (and the associated need to import Malay labor), a policy which was successful but proved easier than attracting high tech substitutes;
---cyclical downturns in key industries, notably shipbuilding, oil services, and real estate;
---downturns in the economies of key customers, especially Indonesia, Malaysia, and the U.S.;
---deliberate replacement by Indonesia and Malaysia of some of the key functions served by Singapore;
---a disappointing tourist industry caused by the government's having paved over all the attractions in order to turn the country into a gigantic shopping center;
---the collapse of the stock market due to inadequate regulation and a little assist from a prominent Malaysian politician.

The government recognized these and dealt with each one:
---privatization and some deregulation, but not enough;
---a wage freeze, lower taxes, and a decline in the exchange rate;
---less building of buildings;
---an attempt to substitute China-oriented business for Indonesian and Malaysian business;
---some modest (very modest) efforts to find something for tourists to do; and
---a new Securities Industry Act which tightens regulation and an effort to reinvigorate the stock market by allowing individuals to invest portions of their Central Provident Fund;
---a new set of regulations designed to encourage banks to make Singapore a headquarters for capital markets, fund management, and third-country trade finance.
---incentives for industrial corporations to make Singapore their regional headquarters;
---rapid development of new financial services to compete with Hong Kong as a regional financial center.

These are the right policies, and they have worked with surprising speed. In 1987, the economy has been expanding at a real rate of about 7.5 percent.

In the current world environment, Singapore has some huge advantages. Its combination of productivity and efficiency is unmatched. The cost of tapping into that productivity and efficiency is declining for two reasons. First, the government is deliberately running real ages down to enhance competitiveness. Second, the Singapore dollar is effectively tied to the U.S. dollar despite a small relative appreciation, so the cost of Singapore's services and exports is declining with the U.S. currency.

Singapore has directed its biggest efforts toward achieving the role to which Singapore's leadership has long aspired, namely the administrative capital of Pacific Asia. The idea is that every big multinational corporation should manage its regional office from Singapore. To attract such headquarters, Singapore already has prosperity and stability. To this it has added concessionary tax rates of only 10 percent on income derived from activities characteristic of a multinational headquarters operation such as business planning or dividends from other countries managed by the Singapore headquarters. Singapore's only major problem in achieving its goal is that senior executives of multinational corporations get bored living in Singapore. Lee Kwan Yew's country has become the place where every man wants to leave his family while he prospects for oil in Indonesia on weekdays and revels in Bangkok on weekends.

On balance, Singapore's planners are well on their way to achieving their goal: a country that consists of many very large bureaucracies sitting on top of one very large shopping center.

Singapore will remain a regional entrepot, regional headquarters site, regional financial center, and export platform. It will not challenge the roles of South Korea and Taiwan as major industrial centers, because Singapore, with only 2 million people, lacks the scale to mount such a challenge and because it has been slower than the other NICs to develop a large pool of highly trained professionals. The roles it has chosen for itslef are, however, important ones, and Singapore will be successful in them.

In the meantime, Singapore is in no danger of running out of money. One of the risks of having so many bureaucrats around is that the government has collected so much money that it really doesn't know what to do with all of it: foreign reserves are equal to about 70 percent of GNP.