State in super display of riding the tiger

By GARRY RODAN

In the industrialised market economies, the economic role of the State is being wound back. Private enterprise and market competition are seen as the only route to success in a global economy.

The achievements of the Asian tiger economies, and Singapore in particular, are increasingly presented as proof of this by liberal economists. The so-called proof, however, does not bear scrutiny.

The extensive direct and indirect economic role of the State is put aside at these commentators focus attention on low tax regimes for business and a minimal welfare system. It seems to have been missed their attention that the enviable high savings rate of Singapore is made possible by a compulsory State-run superannuation scheme.

Singapore is one place where the State’s economic role is not in decline.

Indeed, the State is spearheading an adventurous drive into regional economies intended to secure the island’s economic diversification.

Following the severe mid-1980s recession in Singapore, official rhetoric about the importance of the domestic private sector and the need to reduce state intervention appeared to signal major changes.

Before long, the government had divested shareholdings in nearly 60 companies.

However, through three of the State’s holding companies — Temasek, Singapore Technology and Health Corp — the State was still in 1996 the sole shareholder of 32 companies with interests in a further 566 subsidiaries.

Investments were prominent in transport, defence, petroleum and marine-based industries.

In Singapore, the State’s economic influence is greatly enhanced by interlocking directorships involving a coterie of civil servants.

These public entrepreneurs are closely connected to the ruling People’s Action Party, the upper echelons of which have been heavily recruited from the civil service in recent decades. Yet little real control over the economy has been surrendered. Of all statutory boards, only the partial privatisation of Telecom has been completed.

Indeed, a National University of Singapore economist, Mr. Marko Aspir, argues that Singapore’s privatisation may have made the role of government even more extensive.

He points out that, since there is a budget surplus, proceeds are not needed to reduce taxes or expenditure. Instead, they can be invested at home and abroad.

Since the late 1980s, the State has indeed been an important contributor in a dramatic increase in investments abroad, which rose from $28.7 billion ($7.4 billion) in 1989 to $258.2 billion by 1993. Roughly half of this came from Singapore-owned companies, with State-linked enterprises at the fore. The State’s offshore forays have been presented as the attempt to build an “external economy” and strategically integrate the city State with Asian economies. Central to this is what Singapore’s Economic Development Board describes as a “Singapore Inc approach”, whereby the private and public sectors form consortiums for regional projects.

Emphasis has been given to infrastructure developments that integrate factories, roads and power plants within industrial enclaves. Huge State-led investments of this sort have gone to India, China, Burma, Indonesia and Vietnam.

The most ambitious has been the $62.3 billion Suez Canal Township in China, a 10 to 20-year development involving a 22 member consortium and led by the Keppel Group.

On government-linked companies and statutory boards, such as Singapore Technologies Development Bank of Singapore, Boustead Group, Singapore Power and Singapore Telecommunications, the Singapore Investment Corp, which has since the mid-1980s invested some of Singapore’s vast foreign reserves, which exceed $110 billion. In as many as 25 countries worldwide.

True, some private Singaporean companies have benefited from these State-led consortiums, and greater consultation between State policy-makers and the private sector is discernible these days.

This is not, however, a reflection of enhancement of the political position of local business. Instead, consultation bears a functional relationship to State plans for a more sophisticated economic direction.

Thus since 1994 the Regional Business Forum has brought the public and private sectors together for the regionalisation drive, and an International Advisory Council comprising chief executives of leading global transnationals clarifies regional investment strategies by international capital.

Dependency on the State for contacts and awareness of the political nexus between the civil service and the PAP has promoted co-option rather than forceful representation to government by the local private sector. Essentially, its participation in the policy processes remains at the behest of the government.

Ironically, not only will the State’s economic role remain critical, the other side of the depiction of Singapore by liberal economists may be headed for challenge.

The Singapore government is coming under increasing pressure to ameliorate the social effects of the market, grappling with the tensions between economic efficiency and social distribution.

In response to rising public concern about material inequalities, the government has in the 1990s extended subsidies for the consumption of housing, education and community services.

Because Singapore is not an example of a society where the poor have access to the distribution of economic resources, but rather the reverse.

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