

*Ten Years after the Asian Financial Crisis:
Change and Continuity*

**Singapore's Political Economy 1997-2007 –
Strategizing Economic Assurance Amidst
Globalization**

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Abstract

Singapore's experience and response during the Asian financial crisis suggest that while there were signs of deepening liberalization, there was little evidence of a profound retreat of the developmental state. This article will analyze the changes and continuities in the Singaporean reaction by first explaining the two-fold account of 'sound domestic fundamentals' and the 'globalized financial market of instant communications' articulated by Singaporean officials. This lends credibility to the more interesting long-term policy changes set in motion as forward strategies for assuring the Republic's economic security amidst globalization. The remainder of this survey will argue that the crisis created the impetus for the Republic to foster the aggressive externalization and liberalization of the roles of both public and private sectors, and especially, the Government-Linked Companies (GLCs); just as importantly, the crisis motivated a gradualist strategy for building economic community with its vital trading partners. Assuring Singapore's economic prosperity requires a posture of psychological compatibility with globalization.

Keywords: Singapore's political economy; globalization; government-linked companies; developmental state.

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The Singaporean Developmental State: Liberal Economics with a Mercantilist Tinge

The political economy of Singapore is best understood through the lenses of a free trader concerned with national sovereignty. In this regard, official policies since independence in 1965 may be observed to have taken to heart John Jay's prescient warning in *The Federalist No.4* where Jay warned his fellow countrymen:

The extension of our own commerce in our own vessels cannot give pleasure to any nations who possess territories on or near this continent, because the cheapness and excellence of our productions, added to the circumstance of vicinity, and the enterprise and address of our merchants and navigators, will give us a greater share in the advantages which those territories afford, than consists with the wishes or policy of their respective sovereigns.¹

According to this logic, free enterprise cannot be left to chance, but instead, enhanced with state intervention wherever expedient for the pursuit of the national interest. The evident securitization of capitalist economics is reiterated clearly in government spokesmen's frequent incantation of the policy lexicon of strategic pragmatism.² Such a posture implies that ideological faith in liberal economics is necessarily filtered through the non-negotiable political baselines of national sustenance in relation to a precarious geopolitical environment within Asia. Therefore, it is possible for the 'strong state' polity of Singapore to embrace an amorphous trend called globalization, which can be defined as the process and agency of increasing boundary porosity through economic, social, political and technological interactions with the cumulative effects of rendering popular awareness of an interconnected world system. Globalization manifests in political economy through the forms of local interdependence with the rest of the world's markets in labor, capital, manufactures, infrastructure and information. It should be noted that globalization did not occur overnight. It is a steady accumulation of interconnectedness that began with European empire-building from the sixteenth century onwards, and progressively

abetted by the technologies of transportation and communications. The latter technologies in turn carried with them the possibilities of economic ownership through remotely-controlled overseas finance. Within strategic pragmatism, the logics of state and market are theoretically harmonized as reasonably as possible without allowing one to overwhelm the other's priorities in an increasingly borderless capitalism. This balancing act underlay much of Singapore's experience during and after the Asian Financial Crisis.

In 1997, the Singaporean developmental state was not very different from its more celebrated Japanese and Korean counterparts. First and foremost was the institutionalized obsession with economic growth as the prime driver of domestic stability and external appeal. The ruling People's Action Party's (PAP) slogans of communitarianism, 'rugged society', and the analogy of a 'tightly organized society' for survival all attest to this continuity since 1959.³ Secondly, the recruitment of personnel to both the top echelons of the ruling party and the public sector reflected a distinct preference for technocrats over traditional political mobilizers and libertarians. The role of the state became synonymous with that of government, which is essentially to deliver material prosperity, social equity and order, with other priorities relegated to an indeterminate second tier.⁴ Thirdly, the articulation of a state-led developmental policy translated operationally into a congeries of ministries, statutory boards, trade union congresses, popular grassroots organizations, chambers of commerce, government-linked research institutes, and government-linked companies. These bodies operated in formal channels to shape a pro-growth environment. In informal channels, or quasi-political dimensions, they served to inculcate attitudes favorable to the goals of development. Fourthly, the citizens of Singapore were socialized into a political culture of 'an administrative state' where politics was discursively

associated with chaos, indolence, social permissiveness and other vices that detract from sustainable material development.⁵ Apart from regular and fair elections, structured dialogue and feedback through the aforementioned corporatist channels, democratization was not encouraged along the inevitable lines of liberal middle class theory. Curiously, the Singaporean developmental state favored foreign investors, local capital and their preferences for stable rates of production and return. Like a ‘greenhoused’ version of capitalism, the Singaporean developmental state was described by observers to be in alliance with foreign capital since its founding till the early 1990s. It exploited its artificially created advantage as a node in the new international division of labor.⁶ Prior to the Financial Crisis, Paul Krugman famously riled the PAP leadership and its supporters by claiming that the Singaporean NIC ‘miracle’ was grossly exaggerated. It had no more mystique than the record of Stalin’s USSR – increased factor inputs produced more prosperity without significant gains in productivity. Singaporeans, Krugman concluded, still lagged behind the developed world in creativity and formulas for sustainable growth.⁷ By extrapolation, the problems of ‘authoritarian Asia’ – mostly Indonesia, Malaysia, Singapore, and Vietnam – could not be held up as credible examples of the ‘Pacific Century’. ‘Liberal democratic capitalism’ rather than the ‘Asian developmental state-led capitalism’ was likely to prove superior in the long run.

Singapore’s experience and response during the Asian financial crisis suggests that the jury is still out on whether the latter compelled any significant democratization of the Republic’s political economy. There were nevertheless signs of deepening liberalization, in contrast to expectations of a profound retreat of the developmental state. This article will analyze the changes and continuities in the Singaporean reaction by first explaining the initial official

diagnoses and responses of the PAP government. The two-fold account of ‘sound domestic fundamentals’ and the ‘globalized financial market of instant communications’ articulated by Singaporean officials will lend credibility to the more interesting long-term policy changes set in motion as forward strategies for assuring the Republic’s economic security.

In the first part of the official account, Singapore’s economy was not under direct attack by speculators largely because of its viable domestic ‘fundamentals’ in state-market relations – a point acknowledged by major international media such as *The Economist*, the *International Herald Tribune* and the *Financial Times* (London). It suffered secondary speculative attacks on the Singdollar only as a by-product of earlier attacks on its Southeast Asian neighbors’ currencies. This was by virtue of the multidimensional Singaporean financial exposure to its neighbors’ economies through Foreign Direct Investment (FDI) into the latter. An official report noted for instance that in 1997, Singapore-based companies invested 54.8% of their FDI in their ‘overseas affiliates’⁸ within Asia.⁹ Within this figure, 46.9% were ploughed into ASEAN states, with Indonesia, Malaysia, Philippines and Thailand absorbing the bulk of it; and 0.5% ploughed into South Korea.¹⁰ Even then, the Singdollar shed 11.6% of its pre-crisis value against the US Dollar, in contrast to its Southeast Asian counterparts, many of whom shed more than 30% of pre-crisis values.¹¹ Furthermore, the collateral slide in investor confidence in Singapore came by way of Southeast Asia-wide capital panic. Since Singapore promoted itself as a hub of operations, it was necessarily caught in the ‘blowback’ effects of a drawdown of investment capital in proximate zones. Predictably, these regional shockwaves entailed job losses in the Lion City.

The PAP government used the levers of the developmental state to good effect in ‘soothing’ the market. The Central Provident Fund (CPF) rate was temporarily cut by half, wage raises were frozen through the recommendation of the quasi-official National Wages Council (NWC), and bonuses reduced or eliminated altogether in the interim. This was enacted without the turbulence of street protests and electoral revolts of the pattern witnessed in Jakarta, Kuala Lumpur, Bangkok and Seoul. It was due in no small part to the penetration of the pre-existing ‘subject’ political culture of neo-Confucian trust in technocratic government by the competent. One observer has described this economic stimulus package as choreography of trade union consultation, government-initiated debate and exhortations to the general public to bite the bullet at the first signs of trouble in order to avoid drastic measures later.¹² Furthermore, Prime Minister Goh Chok Tong announced that ministers, the upper ranks of the civil service and corporate bosses would set an example by accepting cuts in salaries and CPF contributions. The PAP record on the economy in previous crises such the 1983-5 recession, as well as the oil shocks of the mid-1970s, ensured a ready pool of goodwill towards the ruling party. Additionally, the PAP government had preemptively intervened in the local property market in 1996, a year before the crisis, in order to cool overheated conditions. The leadership of the pro-government National Trades Union Congress (NTUC) was no less crucial as a corporatist channel that worked to persuade workers of the need to sacrifice wage raises, bonuses and CPF cuts in the short term in order to stabilize an adverse scenario that had actually materialized after years of socialized warnings of economic vulnerability.

As a vote of confidence in Singaporean management, both the IMF and the World Bank set up their first-ever training institutes in the Republic, inviting significant local contribution to

its programs. In the light of these measures, it worth quoting at length then-Deputy Prime Minister Lee Hsien Loong's description of Singapore's responses as an affirmation of the developmental state:

In terms of fundamentals, we have striven hard to maintain macroeconomic and financial discipline, even in good times. Our prudent fiscal stance gave us a strong budgetary position. High savings rates and current account surpluses helped build strong reserves which acted as *ballast* and gave *confidence* when the market turned volatile. High standards of *prudential regulation* and *supervision* helped build a sound and robust financial system which investors *trust*.

We have also sought microeconomic efficiency, pursuing policies that promoted private enterprise and fostered a *conducive* business environment. We encouraged the use of the market mechanism as the basis of allocating resources, be it industrial land and labour, or precious road space in a congested city.

From time to time we make mistakes too, although we try to learn from them. For instance, when the region soared, Singapore too experienced a property boom, which threatened to develop into a dangerous bubble. For a time companies and individuals alike were carried away with the belief that property development and sales yielded higher returns than investments in other productive businesses. Fortunately we pricked the bubble in 1996, a year before the crisis struck, but in hindsight not soon enough.¹³

The concepts associated with the words 'ballast', 'confidence', 'trust', and 'conducive' do not ordinarily reveal themselves in statistical reports but these do manifest in the very social accounts of country surveys performed by the investment rating agencies such as Moody's and Standard and Poor. Analysts of Singaporean fiscal, monetary and exchange rate policies might prefer to scrutinize a different record for the impact of the Asian Financial Crisis on Singapore but this author suggests that the nub of the Singaporean response lies in the technocratic learning and foresight embedded in the Singaporean polity. This is in turn derived from an ingrained culture of anticipating problems and pre-empting them through 'prudential regulation' and 'supervision'.

The other significant official attribution of the source of the crisis lies in what Minister Mentor Lee Kuan Yew has described as the ‘globalized financial market of instant communications between the financial centers of the world – New York, London and Tokyo – and their representatives in the capitals of East Asia.’¹⁴ For lack of a better phrase, one might label this the ‘electronic communication factor’. This relates closely to what political economist Susan Strange calls decision-making in the knowledge structure of the international economy.¹⁵ The flow of funds in and out of national economies operating within the rubric of a global capitalism operates through electronic networks with push-button convenience. These correspondingly generate large contingents of ‘international bankers supported by local staff with roots in the community’ whose chief purpose was to scrutinize all developments concerning the health of the economy they were attached to.¹⁶ With the ease of electronic communications, every good index would be dutifully reported across the globe to investors and fund managers making decisions half a world away. Likewise, every careless move by governments that did not respect market sentiment or could not live up to standards of accounting probity would be almost instantly magnified many times through emails and computer plots. Speculation may then substitute for future outcomes, and immediate reports consequently generated on that score. Once investor confidence becomes instantaneously ‘spooked’, panic selling may result, and economies suffer bear runs on their stock exchanges. Therefore, unless a national economy and its government can credibly manage a coherent image of sound policies and healthy reserves, it will be liable to be lumped as a stereotypical unit within a basket of emerging economies. Harmonizing a national economy with its global partners would require the twin skills of a consummate leader and a steadfast communicator.

It is against such a backdrop that one can consider the impact of the Asian Financial Crisis on Singapore simultaneously as a harrowing experience as well as a window of opportunity for strategizing economic assurance amidst capitalist globalization. Furthermore, the official diagnoses of the crisis imply that the practices of textbook economics were as much a root cause as psycho-social factors in an electronically-saturated global economy. Consistent with the PAP's brand of pragmatic politics, the swathe of longer term restructuring wrought by the withdrawal of investors from the region spurred the Singaporean government into making bolder strides in economic liberalization. Signals of this had been forthcoming even during the initial phases of the crisis where then-premier Goh Chok Tong addressed press conferences in various Southeast Asian capitals to shore up his neighbors' currencies with remarks to the effect that their economic fundamentals were sound, while also warning that no national government can afford to 'fight the market'.¹⁷ The remainder of this survey will suggest that the crisis created the impetus for the Republic to foster the aggressive externalization of the roles of the Public Sector and the Government-Linked Companies (GLCs), as well as to pursue a gradualist strategy for building economic community with its vital trading partners through Free Trade Agreements (FTAs) and other Pacific Rim political forums, as well as the WTO. These liberalizing initiatives were designed to accommodate Singapore's economy to the complex demands and opportunities opened up by the multi-faceted processes of globalization.

The Intermedic Considerations of Economic Policies: Singapore Incorporated, Competitiveness and the Social Agenda amidst Globalization

As has been articulated at the start, globalization's characteristic of exposure of the local economy to the wider interconnected world system is often understood more concisely in theory

than in actual practice. In explaining the longer-term post-1997 Singaporean initiatives, it is useful to recall the comment by Singapore's first Minister of Finance, Goh Keng Swee, that 'the free enterprise system, correctly nurtured and adroitly handled, can serve as a powerful and versatile instrument of economic growth'.¹⁸ In his first National Day Rally speech since the worst of the crisis broke, Premier Goh explained to Singaporeans that his strategy of economic assurance for the future complemented continuity of economic fundamentals with elements of bold change: 'We must continue to build up our strength for the long term, and use this storm as an opportunity to forge quietly ahead. We must do nothing to compromise our long term competitiveness, nor be rattled into taking unwise actions under pressure.'¹⁹ Goh declared that amidst the tragedy of regional currency devaluations, 'Thai, Malaysian, Indonesian and South Korean exports have become more competitive. Singapore exporters have come under pressure.' He cautioned that Singapore could not afford to respond through competitive devaluation since this would hollow out its economy in no time. 'Our solution to contain costs is not to depreciate the Singapore dollar to match the Baht, Ringgit or Won. There is no need to, because we do not have the same problems', Goh counselled, 'besides that will make all Singaporeans poorer, and diminish the value of your CPF savings.' Instead 'what we must do is to tackle business costs directly – land, government charges, taxes, and also wages.'²⁰ These remarks suggest that globalization has been officially interpreted as demanding responses that are market-friendly, creative, and stand up to external scrutiny as exceptionally viable attractions. Goh's deputy and soon-to-be successor, Lee Hsien Loong reiterated the delicate balance of calming foreign investors' nerves and taking actions for domestic stability while on a visit to Hong Kong. Reading interwar history of the 1930s, Lee warned that when 'countries erected trade barriers and sought to solve their problems individually', this 'led not to a more stable system but to a

world war.’ He declared that the immediate priority would be to calm shaky markets in Latin America and Russia, so that the Asian ‘contagion’ would not spread further afield to Europe and the US. Lee suggested to his audience that ‘the longer term task is to remedy weaknesses in the architecture of the international financial system.’²¹ This section will thus deal with the policies and pitfalls of the Singaporean response to the crisis in terms of what I call the ‘intermestic’ dimension, leaving the international dimension for detailed treatment in the next section under the rubric of Singapore’s foreign economic policy of building community as a hedge against a recurrence of the financial crisis.

In using the label ‘intermestic’ (international and domestic), it is suggested that policy-making conditions of globalization make it inevitable that a competition of ideas and actions will occur when interested external parties are not reconciled with the proposed or actual policy designs that national policymakers formulate. Dissonance results, and in the case of political economy, investors withdraw their resources from a local economy; the affected states’ citizens are panicked into making a run on their local banks; nationalist economic controls are implemented; externally-inspired boycotts threaten to sever trade and capital flows; and possibly, a political revolt is precipitated by the public perception of the economic incompetence of a *status quo* regime. That this is not a particularly novel sequence has been borne out by Deputy Premier Lee’s remarks about the 1930s; the lessons of the IMF’s actions in Latin America in the 1980s; as well as events in 1998-9 in Jakarta, Seoul, Bangkok and even in Kuala Lumpur. In Premier Goh’s 1999 National Day rally speech, this was evidently on his mind even as his government articulated a globalization-friendly agenda to focus on the post-crisis horizons. Echoing the twin lessons of the crisis articulated by himself and his Cabinet colleagues, Goh

devoted his central theme to the challenge of globalization ‘because of technology and the Internet.’ These drivers translated into the fact that ‘technology has broken down national boundaries. The Internet has turned the world into one global shopping mall.’²² Likewise, the international division of labour operated according to degrees of trade liberalization:

MNCs [multinational corporations] now look at the world as one single market, not separate markets divided by national borders. They do not supply the whole world from one single location, nor do they produce in each country just for that market. They split their operations into different pieces, and then locate each piece in a different country, wherever it is cheapest and most efficient to do that particular operation.²³

Aside from offering investors cost and infrastructural appeal, it required Singapore to strategise for a ‘world class economy’:

A first-world economy means adopting world-class standards, whatever we do and wherever we operate. Our businesses, whether manufacturing or services, have to benchmark themselves against the best standards and practices worldwide. Unless our products and services are comparable to the best, we will be out of the running...²⁴

Strategizing for economic assurance amidst the fluctuations of globalization will therefore involve continuity in pandering to the needs of MNCs through the offering of ‘value adding’ facilities and services in tandem with their globalized networks of production and supply. This involved better performance per unit of cost, and performing more creatively per unit of manpower. Strategizing for change would however require the fostering of indigenous companies that could on their own merits attract partnerships and emulate the most successful of the Fortune 500 MNCs. As Goh explained it, ‘we should now go global by forming strategic alliances or mergers with other major players. Indeed we often have no choice – where the industries are consolidating worldwide, we either become major players, or we are nothing.’²⁵

One therefore ought to recognise that preparing for competition against the First World players would be a hard slog: ‘These major MNCs have organisational strength, technology,

access to global markets, and a worldwide network. In time, a few of our companies should make it to the Fortune Global 500. But even then we cannot afford to give up the exports, jobs, and linkage that the MNCs bring us. EDB [Economic Development Board] must continue to work hard attracting MNCs, and the Government must create an environment where MNCs can prosper in Singapore.²⁶ Manifestly, these are claims that can be documented in textbooks on development economics and one might also argue, following Rodan, that the political economy of the industrialization of Singapore has not significantly evolved from quasi-autonomous dependence upon an alliance between the PAP government and foreign, and primarily, western capital.²⁷ What is worth noting would be the degree of shifts in the contribution of GLCs to the expansion of the external sources of Singapore's economic growth, in tandem with the slight retreat of the formal parts of the Public Sector towards regulatory roles. The new conducive environment for MNCs would involve a loosening of the regulatory regime in the financial services sector. At the same time, the continuities reveal themselves in the relentless mantras in political communication between government, employers and employees within the corporatist process of 'tripartism'. This is Singapore's hedge against the social risks of globalization.

'Singapore Inc.' Abroad: GLC Expansion

It has been clear from the inception of Singapore's nationhood that the Public Sector, comprising the formal ministries, statutory boards and GLCs were tasked with the overriding purpose of expediting Singapore's economic development and the concurrent enhancement of the average Singaporean's standard of living. The current dominance of the GLCs in Singapore's economy still carries the birthmarks of the stereotypical developmental state of the 1960s. Under the twin pressures of the collapse of plans for a common market with Malaysia, as well as the

impending British military withdrawal by the late 1960s, the PAP-run state cast around for instant capital to shore up the infrastructural aspects of the economy whilst sowing the seeds for long term growth. It was quite evident that the nascent Singaporean state could not rely on the local business community to start up ventures in strategic industries such as shipbuilding and repair; the operation of a merchant marine; sustaining the export trade; and even in arms-manufacture. The local bourgeoisie either lacked the necessary capital, or the risk-taking qualities demanded of them in heavy industrial investments. As Lee Kuan Yew put it in an interview in 1965, the state had to lead through force of circumstance and where possible become self-sustaining since the PAP preferred pragmatism over an ideologically-faithful socialist economy.²⁸ At the time of writing the Ministry of Finance declared on its website that

Like all companies, GLCs operate on a commercial basis and have to respond quickly to changes in the business environment. GLCs are set up under the Companies Act, and are subject to the reporting and disclosure requirements under the Act. In addition, GLCs listed on the SGX [Singapore Stock Exchange] are accountable to their shareholders for their annual performance and operations. They have to circulate their annual reports to shareholders. The Government expects all GLCs to be well-run and competitive.²⁹

Given the complex interpenetration of the GLCs into Singapore's domestic economy where estimates of the size of their direct GDP contribution to the economy range from 12.9% to 60%,³⁰ this has an almost inevitable effect of channelling domestically saturated resources into overseas investment. It is worth noting that the Singaporean government defines a GLC, or government enterprise, in two ways. Firstly, such a company 'refers to an entity where effective influence exists.' Secondly, effective influence 'exists where the government and its government enterprises, alone or in combination: (a) own more than 50 per cent of the voting rights of an entity; or (b) where the government and its government enterprises, alone or in combination, own 50 per cent or less, but more than 20 per cent, of the voting securities of the entity and own the largest block of voting rights of such [an] entity.'³¹ In its first-ever published Annual Report in

2004, Temasek acknowledged that 52% of its S\$90 billion worth of portfolio value was invested within Singapore, 17% in Australia and 7% each in the US and Europe.³² When this is compared approximately with the national gross capital formation of S\$33 billion³³ for 2004, the size of Temasek-linked GLCs' stakes in national economic activities appear considerable.

Temasek Holdings and its subsidiaries are well placed to assist in globalizing Singaporean business through direct financial and fixed asset investments overseas. Its shareholdings extend into telecommunications and media, transportation and logistics, financial services, energy and resources, financial services, property, infrastructure engineering and technology; and in the category of 'others', it controls Wildlife Reserves Singapore and Singapore Pools, the state-approved lottery company. Among the Singaporean brand-name companies in this stable are the award-winning Singapore Airlines; Keppel Corporation and SembCorp Marine – which were recently touted respectively as the world's number one and number two shallow-water oil rig builders;³⁴ PSA International, the privatized ex-statutory board and Singapore's largest port operator with franchised operations worldwide; SingTel; Neptune Orient Lines; Singapore Technologies; Singapore Power; Ascott Holdings; and Raffles Holdings. Following the direction charted by Goh's administration, maximizing shareholder value and returns would mean that overseas ventures should flesh out the prototype of a Singaporean MNC. In June 1999, Temasek's Chairman, S. Dhanabalan announced that he would seek to monitor the diversification plans of its GLCs to ensure that the latter capitalized on their specialised strengths; put specific limits to terms of the chairman and directors; as well as separate the appointments of Temasek's chairman and chief executive officer (CEO). A check with an official report on Singaporean investment abroad in 2004 implied that Temasek-linked

companies could still grow more of their businesses beyond the financial services sector which contains the bulk of Singaporean investments abroad.³⁵ The Singaporean Department of Statistics nevertheless pointed out that the statistical data carried in this report revealed ‘immediate’ investment rather than ‘ultimate’ investment outcomes. For instance, ‘if a Singapore-based company invested in country A (say manufacturing sector) through country B (where an investment holding company is formed to carry out the investment), it would be recorded as investment in country B (and in financial services where investment holding companies are classified under) instead of A.’³⁶ This is helpful in contextualizing the parliamentary and newspaper debates in 2002 over the future of GLCs in Singapore. Temasek Holdings’ CEO, Ho Ching, signalled a further differentiated direction with her remarks that Temasek would be looking to divest its ‘non-core GLCs’ and seek to partner other Singaporean small-and-medium-sized enterprises (SMEs) so as to leverage on national competitive advantages.³⁷ One example that was cited in 2002 was the fact that property-developer Ascott Holdings worked out an arrangement whereby the SME KinderWorld Educare could easily set up kindergartens at Ascott’s serviced residences overseas.

Indeed, it is not only in childcare services and property development that GLCs could advance the ambitions of the Singaporean MNC. As the government’s own statistics have shown, as of 2004, non-financial sector investments such as those in manufacturing (20.3%), commerce (7.2%), information and communications (4.9%), and transport and storage (3.8%), have yet to rival the huge 56.2% share maintained by financial services of total Singaporean direct investment abroad.³⁸ Between 2005 and 2006, Temasek was reported to have not only spent S\$7 billion acquiring Chinese banks, but also purchased for US\$50 million a 9.9% stake in

Xinyu Hengdeli Holdings, China's largest watch retailer; and bought into Dongfeng Motor Group which manufactures engines and light trucks, cargo carrier Great Wall Airlines and China Power International Development, which is China's fifth-largest electricity generator.³⁹ Its CEO Ho Ching has stated that Temasek would increasingly focus on companies that can act as proxies for the enhancement of wider economies – namely, infrastructure, logistics and banking, especially consumer banking. In India, Temasek has taken up stakes in a hospital enterprise, an IT services company, a rice exporter and a warehouse operator. Under the umbrella of the Singapore-India Comprehensive Economic Cooperation Agreement, it is looking to double its shares in India's second largest bank, the ICICI Bank, at the time of writing. Further afield, Temasek has also tapped into Russia's new openness to foreign investment by jointly financing with Russia's Alfa Bank Holdings a private equity fund connected with a Russo-Dutch tyre manufacturer Amtel Holland Holdings with substantial factories and market share in Russia. At the start of 2007, Temasek announced its intention to list Singapore's first business trust focussing exclusively on infrastructure companies. The 'CitySpring Infrastructure Trust' will initially group local gas supplier City Gas and desalinated water producer SingSpring. Prior to this listing, City Gas was entirely owned by Temasek, while SingSpring was jointly controlled by Temasek and another local water technology company Hyflux. After the listing Temasek and Hyflux would separately retain 28-30% shares in these companies. On this occasion, the chief executive of CitySpring optimistically quoted the Asian Development Bank estimate that Asia would 'require US\$250 billion (S\$384 billion) per annum until 2010 to fund new infrastructure investment and to maintain existing facilities.'⁴⁰ Since the publication of its first Annual Report in 2004, both Moody's Investors Service and Standard and Poor's have awarded Temasek an 'AAA' credit rating. Other investment firms have credited the post-2002 Temasek CEO, Ho

Ching, for significantly increasing the group's total returns by 15% during 2002-4, and 33% for financial year 2003-4 alone.⁴¹

Temasek's wholly owned subsidiary, PSA International, was corporatized in 1997 – the year the Asian financial crisis broke out – from being a statutory board managing the navigational, wharfing and harbour facilities of the Republic, to a company shorn of its regulatory functions. Quintessentially, as with Temasek's stable of Singaporean energy utility companies, the regulatory and umpire functions of the original PSA were collected under the jurisdiction of a new statutory board, the Maritime and Port Authority. PSA International was freed to concentrate on developing itself as a container and port operator. It not only maintained its port facilities in Singapore with a reputation for efficiency, but aggressively marketed its managerial and planning expertise worldwide. Prior to corporatization, it had signed its first overseas contract for the port of Dalian in northeastern China. By 2007, it could boast an extensive global network of 20 port projects in 11 countries across Northeast Asia, Southeast Asia, Middle East, South Asia, and Europe. More than symbolically, it operated two historic ports in Italy – Venice Container Terminal and Voltri Terminal Europe in Genoa – as part of its portfolio. The success of PSA International was not without its obstacles. Although PSA International has helped Singapore regain the title of 'world's busiest container port' for 2006-7, and won frequent awards for efficiency and managerial excellence, it has had to fend off competition from fledgling port operators from neighbouring Malaysia, Thailand, Hong Kong and even Southern China. Pricing and proximity of physical markets were serious recurring issues confronting the company almost at the start of corporatization; and in the past five years, it has even had to trim its operating expenses through staff retrenchments. In early 2006, the firm

was also outbid by Dubai-based rival, DP World, for Britain's Peninsular and Oriental's container operations. This deal could have given PSA International its first foothold in the American market. Alternatively, industry watchers believe that the company may be forced to plough its surpluses into enhancing existing port operations, buy individual ports from governments or build new ones.⁴² PSA International's own financial report for the period 2001-5 revealed that revenue contributions from overseas operations rose from 10% to approximately 43% vis-à-vis revenue from Singapore-based operations, even as profit margins had increased year-on-year.⁴³

While GLCs such as PSA International and Temasek Holdings have been stellar performers, their globalizing strategies have often also encountered political roadblocks and other obstacles related to image-building. Singapore Airlines (SIA), which has topped the *Wall Street Journal Asia's* list of "Asia's 200 Most Admired Companies" every year since 1993, has grappled with more turbulence in national markets than in the air.⁴⁴ Right from its inception in the late 1960s, it had to campaign hard with official government support for access to the lucrative Singapore-London and Singapore-Sydney routes. Following the financial crisis, it too has had to brave the attrition of economic nationalism in its plans to enhance its market share not only in Asia but in Australia and New Zealand as well. In 2000, SIA bought a 25% stake in Air New Zealand for US\$211 million after undergoing in-depth scrutiny from New Zealand authorities; but it eventually failed to convince both Air New Zealand's management and the Australian government to allow it to acquire financially-troubled Ansett Airlines.⁴⁵ Furthermore, it is mounting a relentless campaign, against rival Qantas' wishes, to persuade Canberra to liberalise third party access to the lucrative Australia-US transpacific routes. Despite Prime

Minister Lee Hsien Loong's diplomatic intervention on SIA's behalf in the past two years, the government of John Howard has yet to decide in SIA's favour even though certain business sectors in Australia support SIA on the issue. In the Indian market, it required years of patience and lobbying, in spite of a continuously warming India-Singapore political relationship, that New Delhi finally granted a doubling of SIA's potential flight capacity to Chennai, Delhi and Bangalore in early 2007. Against this recent success, one has to bear in mind that a more ambitious plan by SIA and India's Tata industrial group had failed to produce an airline joint venture in the early 1990s for nationalistic reasons. One reason may have been SIA's close association with the Singapore government. Another could simply be a case of business envy abroad, provoking nationalistic protectionist sentiments in all of SIA's potential markets. SIA did after all turn its profit margins back into the black very quickly despite the traffic slowdowns triggered by the '9/11' terrorist attacks in 2001, and the SARS epidemic in 2003. According to the *Wall Street Journal Asia's* 2006 special report, SIA has also enjoyed the status of having the world's second biggest market capitalization after American-based Southwest Airlines.⁴⁶

One can also highlight a similar trajectory in SingTel's campaign for expansion since its corporatization in 1992-3. Judged by the aforementioned *Wall Street Journal Asia* report as 'Southeast Asia's largest telephone company by market capitalization' in 2006, SingTel currently employs more than 19,000 people worldwide and enjoyed a post-tax profit of S\$4.16 billion (US\$2.57 billion) for the year ended 31 March 2006.⁴⁷ Its CEO, Lee Hsien Yang, who spearheaded the telecommunications GLC's most ambitious overseas acquisitions to-date, explained to shareholders in August 2002 that 'if we stayed put in Singapore, we'd have 1.5 million customers in a profitable but highly saturated market.' At the time of writing, SingTel is

estimated to have attracted more than a 100 million subscribers to its services. This was achieved on the back of telecommunications acquisitions overseas such as Telkomsel Indonesia, Bharti India, Thailand's AIS, the Philippines' Globe Telecom and SingTel's own Australian subsidiary Optus. Approximately 44% of SingTel's profits in 2006 were derived overseas.⁴⁸ Optus was acquired after enduring extensive competition scrutiny from the Australian authorities, including the Australian Department of Defence which wanted safeguards on military traffic carried on Optus satellites.⁴⁹ Telkomsel Indonesia had also recently become the subject of a complaint that SingTel, its fellow GLC, ST Telemedia, as well as its parent Temasek Holdings, have engaged in price-fixing and blocking the entry of wholly Indonesian-owned Bakrie Telecom into the national telecommunications market. It was reported that in December 2006, SingTel owned 35% of Telkomsel, while fellow GLC ST Telemedia owned 42% of Telkomsel's rival, PT Indosat; consequently, some 80-90% of the national Indonesian cellular phone market is being shared between Telkomsel and Indosat.⁵⁰ Other observers note that political reasons had previously thwarted SingTel's bids for Cable and Wireless Hong Kong Telecom and Malaysia's Time Engineering in 2000. Fortunately in January 2007, the complaint by the Indonesian business conglomerates against ST Telemedia and Temasek fizzled out just as the Indonesian Bakrie Telekom company, linked to the family of the incumbent Indonesian Chief Social Welfare Minister, obtained a nationwide telecommunications license.⁵¹

The backlash against Temasek Holdings' acquisition of Thailand's Shin Corporation in 2006-7 is merely the latest indication that 'Singapore Inc.' needs to take into account the latent nationalistic characteristics of the global market. The initial US\$1.9 billion purchase of the telecommunications group owned by then-Thai Prime Minister Thaksin Shinawatra's family

gave Temasek Holdings a 49.6% stake. Subsequently, under the terms of the deal, a Temasek-linked consortium had to make a 'mandatory offer' to the remaining shareholders to increase Temasek's overall stake to 96% of Shin Corporation.⁵² Yet prior to the deal, opposition to the Thaksin government had been growing amongst the Thai urban middle class who were against his authoritarian excesses and alleged financial impropriety. This opposition defied the electoral results of the preceding rounds of Thai general elections which revealed a pro-Thaksin majority, as well as a rural-urban divide in Thai politics. The Shin Corporation-Temasek furore touched off a sustained demonstration campaign to unseat Thaksin's government and which ultimately triggered a military coup on 19 September 2006. Not surprisingly, the Shin Corporation deal came under hostile scrutiny by the new government in Bangkok which has signalled displeasure at Temasek Holdings, and Singapore in general, at several levels including a restrictive capital control law that only just barely excluded foreign telecommunications ownership with stakes under 50%. One month after the military coup, with Shin Corporation facing the prospect of legal proceedings in Bangkok, Temasek finally announced that it would reduce its stake in Shin Corporation 'at the appropriate time and in an appropriate manner.' Its spokesman picked a conciliatory tone, clarifying that 'we also respect the views and are sensitive to the feelings of the Thai people'; and added 'We want Shin Corp to remain a Thai company that Thailand and Thais will continue to be proud of. We are happy that Shin Corp continues to be managed by competent and professional Thai people.'⁵³

Relaxing Regulations in Financial Services

The preceding survey of Singapore Incorporated's drive to produce its home-grown MNCs is pertinent for its illustration of the psycho-social and political demands of globalization.

While it is logical and consistent of promoters of free enterprise to justify sending Singaporean companies abroad to grow the external wing and avoid the confines of a minuscule home market of four million people, the risks of the social climate of globalization are also very real. There are two aspects to this social climate.

The first is the shift towards greater transparency and professional probity in economic activities in the aftermath of the financial crisis. Initial news analyses reacted to this policy announcement with surprise, given Singapore's reputation as an over-regulated polity, and the evident lack of credible regulation in the crisis-affected markets. As Lee Kuan Yew explained it in his memoirs, the wider strategy of fortifying Singapore's reputation as a premier financial centre since 1965 required both significant trials of system-worthiness and accommodation to First World banking trends.⁵⁴ The PAP government's policies on stringent financial criteria for stock listing, institutional licensing and maintenance of balances since 1965 enabled it to weather crises such as the Pan Electric Industries stock collapse in 1985; the 'Black Monday' international stock market crash of 1987; and the insider fraud perpetrated by rogue trader Nick Leeson against Barings Bank in Singapore. Furthermore, by rejecting BCCI Bank's repeated applications for an offshore license throughout the 1970s and 1980s, the Monetary Authority of Singapore (MAS) avoided any fallout from the worldwide BCCI Bank implosion in 1991. But this was insufficient to convince the PAP leadership to further liberalise the domestic banking market. The 'Big Four' local banks were protected from competition in offering financial services and the need for maximal disclosure of their assets and non-performing loans.

According to Lee Kuan Yew's account, it was only after the test of the Asian financial crisis that the PAP leaders decided to open up the domestic banking sector to foreign competition and revamp the climate of transparency towards 'a position where what is not expressly forbidden is permitted.'⁵⁵ Then Deputy Prime Minister Lee Hsien Loong explained in May 1998 that the crisis had engendered official awareness of the need to implement financial reforms in 'a steady series of incremental changes rather than in a "big bang" so that there is time for institutions and participants to adjust and adapt'.⁵⁶ In October 1999, Qualifying Full Bank licenses were awarded to non-Singaporean banks to compete with Singaporean banks on equitable terms. The licenses allow those awarded to operate additional branches and off-premise automated teller machines (ATMs), as well as to share ATMs amongst themselves. Statistics captured for December 2006 show that there were six Qualifying Full Banks competing with five local banks on the latter's home turf.⁵⁷ At the same time, opening-up did not mean that MAS and the anti-corruption agency, Commercial Affairs Department, would slacken in their vigilance. By 2001, a Securities and Futures Act (SFA) was in place which updated the different regulatory regimes in Singapore governing securities, futures and life insurance. Companies dealing in the latter activities 'will be required to lodge their prospectuses with MAS' and 'prospectuses will be given a 2-week period for public exposure before they are registered.'⁵⁸ Furthermore, companies would have to adhere to a statutory 'continuous disclosure regime' rather than adhere to those specified by the Singapore Exchange's Listing Manual. Furthermore, Clause 339 of the SFA extends the Singapore Judiciary's extra-territorial jurisdiction over financial acts in Singapore with illegal implications for securities traded overseas; and vice versa, Singaporean Courts would assume 'jurisdiction over foreign acts that affect the integrity of Singapore's markets.'⁵⁹ Between 2001 and 2005, a Code of Corporate Governance was produced for public consultation

and feedback from the business community, where a key clarification in the dialogue centred upon the definition of an ‘independent director’ on a Company Board. Other signals have also been sent out by the PAP government to business leaders to consider the professional ethical component of the implementation of the Code.⁶⁰ This was a direct hint that the private sector should not expect the government to take all the initiatives to regulate behaviour. Even the GLCs have predated the crisis in regularly issuing Annual Reports in one form or another, with Temasek being the latest to do so from 2004 onwards. Nevertheless, these have portended well for Singapore’s economy. Almost on the eve of the tenth anniversary of the Asian financial crisis, a Citigroup Investment Research report revealed that a record level of foreign funds entered Singapore’s markets in the first week of January 2007 in contrast to most of Southeast and East Asia. Unsurprisingly, China was the exception in attracting more funds than any other economy in Asia. A NetResearch Asia analyst nevertheless opined that foreign investors were willing to pay a premium for a ‘stable but more mature market like Singapore.’⁶¹

Competitiveness with Internal Cohesion: Tripartism under Intensified Challenges

The second aspect of the social climate of globalization concerns the instrumental credibility of socio-political cohesion. By linking external markets with the domestic in an almost borderless global economy, globalization enables price and other quality comparisons between labor, capital, land, governmental hospitality to investment, technological levels, and so on. It is to the advantage of the would-be foreign investor to compare. For the vigilant Singaporean national leader, the logical and *existential* task would be to ensure that ‘survival’ of the local economy can only be construed in terms of offering an irresistible package of attractions to investors. This pertains to Premier Goh’s references in 1998 and 1999 to the need

to ‘tackle business costs directly – land, government charges, taxes, and also wages’ as well as to ensure that ‘we’, the national team, operate in line with the world’s highest benchmarks. ‘Singapore Inc.’ has since 1969 taken on a distinctly corporatist form in relation to labor-management and labor-government relations. In the official lexicon, this is known as ‘tripartism’. Literally, the three ‘agencies’ of the modern economy – labor; employers and entrepreneurs; and the government – are expected to cooperate in the common cause of generating a stable climate for sustained economic growth. The operational logic expects that each of the three agencies should not exceed their demands in the bargaining process to the detriment of the overall economic pie. Instead, all three must accommodate each other’s concerns with the view to obtaining collective benefits rather than relative gains. The refurbished logic of economic nationalism therefore emerges as a globalization-compatible developmental state. This looks set to continue given the plaudits tripartism earned during the Asian financial crisis. Analysts from the *New York Times*, the *International Herald Tribune*, the London-based *Financial Times* and the *Hongkong Standard* observed that Singapore’s ‘social contract’ boosted the country’s flexibility in responding to the crisis and eliminated the friction of a grassroots revolt against any national recovery effort.⁶² It fell to the lot of the pro-PAP National Trades Union Congress (NTUC), a federation of trade unions since 1961, to explain and cajole workers through their representatives, affiliates and grassroots the need for the strategic downward revision of wages, bonuses and CPF during moments of crisis. Whenever the tripartite partners meet in the National Wages Council, which is a forum with the political standing to recommend economy-wide wage adjustments which the PAP government heeds, bargaining takes place candidly behind closed doors. This has been officially acknowledged by representatives of all three branches of tripartism.

What is interesting is that the dialogue within the framework is not always a one-way government-initiated negotiation, the NTUC delegates retain an exclusive channel to the government in terms of its chairman being concurrently assigned a ministerial position. The outgoing NTUC chief Lim Boon Heng, who also oversaw the difficult period of political dialogue with unionists during the crisis, commented that ‘trust is established when relationships are nurtured carefully, with each party keeping true to its end of the bargain. Through successive crises, we have built on this trust.’⁶³ On the positive side of the ledger for labor, unionists can claim to have modernised NTUC into a workers’ cooperative and quasi-GLC that has offset the many temporary sacrifices members have made through the offer of subsidised supermarkets, subsidised clinics, insurance schemes, Singapore’s biggest taxi business, country club facilities, and even ‘executive condominium’ housing.

Globalization will nevertheless continue to pose a variegated social challenge to the compact of tripartism. As Lim Boon Heng put it: ‘For one, there is growing diversity in the workforce – short-stay foreign workers, lowly paid contract workers, temporary student workers, both local and foreign, older workers, post-retirement re-employed workers.’⁶⁴ The challenge is that ‘with this diversity, how can we maintain fairness and dignity at work, in this land of opportunity for all? Globalization and new knowledge have caused, and will continue to stretch the income gap.’⁶⁵ The task of communicating the need for continuous skill upgrading and willingness to work, through the ongoing advocacy of government-assisted ‘workfare’, as opposed to ‘welfare’, seemed to constantly encounter instances of non-comprehension among the citizenry. Already, during a parliamentary debate in March 1998, a few PAP Members openly

reported that Singaporeans were aggravated by the policy of importing foreign talent during a time of crisis when unemployment among Singaporeans had increased. Responding to this complaint, the Minister for Manpower replied that while foreign talent supplemented local labour in areas of skill shortfalls, 'our local workers must match up and be able to compete with global standards.'⁶⁶ Four years later, in the midst of another recession triggered by weak external demand, the gulf of concern was intensified at the Peoples' Forum organised by the Southwest Community Development Council in the heavily industrial district of Jurong. While the invited panellists expounded upon globalization, intensified technological and price competition, and economic changes in the US and China, residents among the audience started to fidget, murmur amongst themselves, and eventually a few spoke up:

Before we go overseas, I'm more concerned about our own homes. Let's get back to local issues. I want to know what we can do to solve our unemployment problems. There are people who have been unable to find a job and need help.⁶⁷

Another resident who had been jobless since 2001 put it personally:

I'm here to ask about jobs. I've called 40 companies and been to 30 interviews, but everyone tells me I'm too old and I can't speak Mandarin. I need help.⁶⁸

Globalization therefore reinforces the importance of the Singaporean developmental state as a political communicator and local mediator on issues of socioeconomic equity. Winding up a visit to Vietnam in January 2007, even the astute Minister Mentor Lee Kuan Yew pensively acknowledged that even though incomes of the top 10% of Singaporeans have shot up over the past decade, they would eventually be levelled down by labor competition from emerging economies. 'If we're not careful, the new steady state in 15 years will be an abundance of Chinese engineers, scientists, Indian scientists and so on, and you may well find the Singaporean chaps at the top will go down,' he warned, 'and we at the bottom, the bottom ones[,] will stay put, because we're competing with the lower end.'⁶⁹

Building International Communities of Free Trade

The ideal of building communities of free trade in the Singaporean strategy of globalization is perhaps not novel when viewed through the lenses of John Jay's advice in the eighteenth century. 'Community' in this sense emphasises access rather than sentimental kinship. It was more than symbolic that Singapore negotiated its first bilateral Free Trade Agreement (FTA) with another significant small state – New Zealand – in November 2000. Only the year before, Premier Goh and his New Zealand counterpart, Jenny Shipley, set out the reasons for their initiative in the pages of the *International Herald Tribune*. Firstly, both states wished to see both the WTO and the Asia Pacific Economic Cooperation (APEC) forum succeed in fostering trade liberalization. To assist in that endeavour, the Singapore-New Zealand FTA would be 'an additional and complementary step to build further momentum.' This initiative by the small was meant 'to act as a catalyst for other larger economies in the APEC region to take similar steps.'⁷⁰ Secondly, both countries wished to underscore the 'historic linkage between open economic markets and political and social stability'.⁷¹ Thirdly, it was a straightforward case of hedging through 'common sense'. Against the backdrop of 1999, Goh and Shipley wanted a bridge between the nascent ASEAN FTA and the Australia-New Zealand trade partnership. As of February 2007, Singapore has successfully implemented 13 FTAs including several prized agreements with Australia, India, Japan and the US.

The economic security implications of free trade community are evident. Singaporean strategy would not wait for the 'purity' of worldwide trade liberalization to entrench itself

through tortuous negotiations. Concurrently, modular alternatives like FTAs enable the ‘pragmatic’ retention, or maximization, of access to markets for Singapore’s manufactures and other exports.⁷² MNCs operating through Singapore and its connected regional industrial parks would enjoy the cost savings and efficiency of conducting business via a highly-privileged Singaporean trade ‘portal’ to the key markets of the world. Given Singapore’s location as one of the world’s top 15 trading states, the catalytic effect of Singaporean trade diplomacy would not be inconsiderable. Furthermore, trade multilateralism fosters a rule-based system in interstate conduct. This would legally restrain threats of excessive economic nationalism within the domestic politics of Singapore’s trading partners. This sense of community appears to have had the intended benefits in relation to Singapore’s Japanese, Australian and American FTAs. The ASEAN-China FTA currently under negotiation would be highly anticipated in this regard.

Assuring Economic Security amidst Globalization

Given globalization’s cumulative rendering of border porosity and its culmination in the joining of multiple local markets into a global capitalist network, assurances of national economic security have to operate in an atmosphere of transparency. This in turn requires the exercise of acumen for coping with the speed factor and entrepreneurial catalysis to exploit opportunities. Steering economic liberalization through modular examples is also leadership within a world shrinking through global flows. The preceding analyses suggest an unconventional lesson for thinking through national responses to globalization. The retention of the developmental state apparently delivers cohesion in responding to change amidst global competition, and cushions somewhat against the much feared ‘race to the bottom’.⁷³ At the same

time, the Singaporean culture of managerial politics suggests that the real takeaway lesson of the Asian financial crisis may lie in comprehending the global market as a psycho-social mind game.⁷⁴ Soothing the market, following John Jay, must mean assuring the ‘excellence of our productions’ vis-à-vis fellow free market players.

¹ Alexander Hamilton, James Madison and John Jay, *The Federalist or the New Constitution*, ed. William R. Brock (London: J.M. Dent & Everyman, 1996), pp.13-14.

² For a sample, see Werner Vennewald, *Technocrats in the State Enterprise System of Singapore*, Working paper no. 32, (Perth: Asia Research Centre, Murdoch University, 1994), pp.15-16; Lee Lai To, “Singapore’s Globalization Strategy,” *East Asia: an International Quarterly* 18:2 (2000), pp.37-39; Linda Low, “The Singapore Developmental State in the New Economy and Polity”, *The Pacific Review* 14:3 (2001), pp.416-419; Ian Patrick Austin, *Goh Keng Swee and Southeast Asian Governance* (Singapore: Marshall Cavendish Academic, 2004), pp.18-23.

³ Chan Heng Chee, *Singapore: The Politics of Survival 1965-1967* (Singapore: Oxford University Press, 1971), pp.51-52. See also Chua Beng Huat, *Communitarian Ideology and Democracy in Singapore* (London: Routledge, 1995).

⁴ These strongly parallel what Chalmers Johnson calls the ‘plan-rational’ developmental state in his *MITI and the Japanese Miracle. The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982), pp.19-23.

⁵ Chan Heng Chee, “Politics in an Administrative State: Where has the Politics Gone?” in *Understanding Singapore Society*, eds. Ong Jin Hui, Tong Chee Kiong and Tan Ern Ser (Singapore: Times Academic Press, 1997), pp. 294-306.

⁶ See for instance Garry Rodan, *The Political Economy of Singapore's Industrialization: National State and International Capital* (Basingstoke: Macmillan, 1989); or Frederic C. Deyo (ed.), *The Political Economy of the New Asian Industrialism* (Ithaca: Cornell University Press, 1987).

⁷ Krugman’s thesis and the Singaporean reaction are captured in the report by Urban C. Lehner, “Asian Economic Survey 1995 – Dismal Science vs. the Dragons,” *Asian Wall Street Journal*, 9 October 1995.

⁸ The Singapore Department of Statistics defines ‘overseas affiliates’ as inclusive of ‘overseas subsidiary’ and ‘overseas associate’. It states that ‘an overseas subsidiary is a company incorporated outside Singapore in which a Singapore company owns at least 50 per cent of the ordinary paid-up shares. An overseas associate is a company incorporated outside Singapore in which a Singapore company owns at least 20 per cent but less than 50 per cent of the ordinary paid-up shares.’ *Singapore’s Investment Abroad 2004* (Singapore: Department of Statistics, 2006), pp.8-9.

⁹ Calculated from “Table 3: Total Direct Investment Abroad by Country, 1994-2004” in *ibid*, p.15.

¹⁰ Calculated from *ibid*, p.15 as well.

¹¹ See “Table 1 – Exchange Rates, 30 June 1997 to 8 May 1998,” in Morris Goldstein, *The Asian Financial Crisis: Causes, Cures, and Systemic Implications* (Washington D.C.: Institute for International Economics, 1998), p.2.

¹² Derek da Cunha, “Singapore in 1998: Managing Expectations, Shoring-up National Morale,” *Southeast Asian Affairs 1999* (Singapore: Institute of Southeast Asian Studies, 1999), pp.272-274.

¹³ Lee Hsien Loong, “The Asian Financial Crisis: Challenges to Business Management” 9.30am, 30 July 1998, Speech By DPM Lee Hsien Loong to IMD Alumni at the Shangri-La Hotel, Singapore. <<http://stars.nhb.gov.sg/stars/public/>> [Accessed 7 January 2007] Italics Mine.

¹⁴ Lee Kuan Yew, *From Third World to First: The Singapore Story, 1965-2000* (Singapore: Times Editions, 2000), pp.389-390. This has been reiterated in virtually every speech Lee made on the diagnosis of the Asian contagion of 1997-9.

¹⁵ Susan Strange, *States and Markets*, 2ed, (London: Pinter Publishers, 1994), pp.119-138.

¹⁶ Lee, *From Third World to First*, p.390.

¹⁷ Quoted in Jacqueline Wong, “Singapore Stocks dragged down in Regional Chaos,” *Reuters News* 29 August 1997 [via FACTIVA.com].

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