

SINGAPORE IN TRANSITION: ECONOMIC CHANGE AND POLITICAL CONSEQUENCES¹

Ian Austin, Edith Cowan University, Perth

Introduction

With the ascendancy of Lee Hsien Loong to the prime ministership of Singapore (August 2004) and the introduction of new faces into the cabinet, the People's Action Party (PAP) has publicly advocated the move as heralding a new political generation with the mandate to confront new economic challenges¹. Crucial new policy areas have been aimed at preparing for new global economic competition; in finance, technology, education, health and infrastructure. All have been widely vetted amongst the islands elite. Lee Hsien Loong, of course, can only be defined as a new leader in the narrowest sense of the word, having already served for more than a decade in cabinet and as deputy prime minister to his predecessor Goh Chok Tong². The city state he now heads, being a direct consequence of the British Empire's globalisation process, and as a city state without hinterland, has always been acutely attuned to changes within the global economy. As a consequence Lee and the other Singaporean political leaders continually declare that the current pace of global economic change, and the impact this will have on Singapore economic structures, will remain central to the islands narrative. Most notably they highlight the impact of China and India in creating

¹This paper was presented to the 17th Biennial Conference of the Asian Studies Association of Australia in Melbourne 1-3 July 2008. It has been peer reviewed via a double blind referee process and appears on the Conference Proceedings Website by the permission of the author who retains copyright. This paper may be downloaded for fair use under the Copyright Act (1954), its later amendments and other relevant legislation.

a new global investment environment challenging to Singapore's aspirations as a centre for high-end investment projects³.

Hardly surprisingly the PAP leadership has not been keen to discuss the political implication of these new economic challenges facing Singapore, or how the new economic structures initiated by the PAP might impact on the ruling party itself. The PAP has actively sold the introduction of new sector to the Singapore economy, in entertainment, resorts, casinos and other services, as requiring new skills and assets amongst the Singapore work force. This author argues that these new sectors are, and will, reveal new Singaporean talents whose skills sets will be vital to national economic progress, but which are decisively different from the technocratic skills sets that make up the present PAP leadership. Questions will have to be asked if the PAP can successfully incorporate a group of successful individuals who do not share the current leadership group's intellectual training and skills. This author argues that new talent and new sectors will challenge for nation-state resources in ways unexpected by the current political initiators, and the outcomes will be defined pragmatically. Crucially, having defined its governance in just such pragmatic terms, the PAP itself is not in an ideological position to resist such changes, as non-traditional economic powers (service sector and creative industries) increase their influence over national economic life.

The Political Status Quo

In an act of conservative understatement Leifer (1998) states:

The social and political model which Singapore's government has deliberately chosen in the common good has not been uniformly well received in the West where it is seen to be at odds with the concept of a civil society inherent in Liberal Democracy⁴.

Singapore's post independence (1959) political elite, particularly the founding leaders Lee Kuan Yew and Goh Keng Swee, have never made any attempt to hide the fact that they do not perceive liberal democracy as being of high-value to Singapore⁵. They have established a domestic political paradigm based on the following non-democratic foundation:

- ❑ redirection of popular sentiments away from politics towards the economy;
- ❑ reduction of political competition to a single-party state, tantamount to ‘elimination of politics’; and
- ❑ increased power of administrative and bureaucratic authority with only minimal direct accountability to the public and, sometimes even at the expense of elected politicians⁶.

The cabinet, made up of a PAP cadre hand-picked by Lee and the PAP hierarchy, is defined as “the centre of power, the repository of legitimate political power, and the source for an authoritative allocation of government resources”⁷. Commonly defined as an ‘administrative State’, consisting of politicians and a selected elite bureaucracy-intelligentsia, who themselves often entre politics through the PAP, this elite apparatchik defines what is in the best interest of the Singapore citizen. The focus is nearly completely materialistic, with a driving focus on delivering to that citizenship dramatically improved housing, employment opportunity, infrastructure, education and national strategic security. The role of the elite bureaucracy, fully under the control of the PAP hierarchy and often destined to become members of it, is particularly noticeable as they take on the role of policy-makers, as opposed to the policy-enacting role subscribed to them within the liberal-model.⁸

Whilst advocating itself as the primary supplier of citizen needs, at the very same time the PAP’s leadership of Lee, Goh and now Lee, have consistently proclaimed that the PAP will never bow to popular public pressure in any policy sphere. Lee Kuan Yew in particular has been forceful in expressing the cabinet position that decision-making will not be altered to counter public calls to open up the governments purse strings⁹. Budgetary prudence has been consistently reinforced as central to legitimising the PAP’s right to rule, with operational spending limited to 10 percent of GDP and an outright rejection of direct welfare expenditure to the public even in times of economic hardship (1997-98 regional economic meltdown and the 2001 electronics downturn). Crucially, this cabinet policy stance has been maintained at a time in which the public is all too aware that the Singapore government is now one of the wealthiest in the world, with massive financial assets both at home and abroad¹⁰.

The predominant reasoning given for the continued dominance of the PAP over Singapore’s political and economic landscape remains what has been termed the ‘idiom of survival’¹¹. Singaporeans are constantly reminded that, in a hostile world, only the PAP leadership has the experience and wherewithal to guide the Singapore ship safely to shore. The continued

available 'hostiles', 'challenges' and 'uncertainty' is a given. Mauzy and Milne (2002) reflect on this world-view:

Singapore's leaders are realists who believe in a Hobbesian world where power counts and predators lurk all around looking for weaknesses and opportunities¹².

From regional instability of the 1960s, oil crises in the 1970s, to the regional financial crisis of 1997-98, to contemporary Islamic terrorism, a hostile, uncertain world is always at hand for the PAP leadership to highlight that its guiding hand is indispensable to the nation's survival. A crucial element of this 'idiom of survival' is the acknowledgement that "a primary aspect of good government is the capacity to bring about change before the crises emerge"¹³. The PAP controlled media ensures that Singaporean society is bombarded with information on just how the wise hand of the PAP leadership is countering the latest *threat/s* with a comprehensive array of highly effective policy options. The technocratic nature of the cabinet legitimacy means that any dissenting voices, even on specific singular topics, are viewed as attacks upon the whole PAP governance structure¹⁴.

The Economic Status Quo

The uninterrupted expansion of the trade between Asia and the West has enabled Singapore to become a transportation hub and a centre for international finance. Under British colonial rule (pre-1959) the financial system was geared solely for the purpose of serving the needs of international trade and the requisite foreign exchange services. Little to no effort was placed in developing the investment capital capacity required for the internal development of Singapore. No efforts were made to develop specialised agricultural or industrial banks as all primary trade-oriented financial services could be generated out of London. Nor did the British attempt to develop Singapore's human resource base, as no such thing was deemed to exist. Prior to 1945 people, like goods and capital, moved freely throughout Southeast Asia. Persons, possessing neither passports nor fixed capital, simply moved within Southeast Asia to the locality in which their skills and/or labour was most required¹⁵. So whilst the PAP did inherit a State with trade capacity and trade financing, the PAP can rightly claim to be the builders of the modern Singapore economy¹⁶.

The PAP's leadership, consisting heavily of engineers and science trained professionals, has, and continues to direct much of its energy towards building Singapore as a manufacturing centre. One of the founders of Singapore's manufacturing sector makes plain the commitment of the PAP elite to maintain manufacturing as a core component of the Singapore economy:

But the Singapore Government and its agency, the Economic Development Board (EDB), will always give help on preferred new industries or assist in the upgrading of existing ones which take into account Singapore's existing and future factor endowments. We shall press forward with our policy of promoting skill-intensive, high technology industries¹⁷.

A variety of government assistance mechanism have been instituted to ensure manufacturing prospers, including, the Double Tax Deduction Scheme, Capital Assistance Scheme, Export Credit Insurance Guarantee Scheme, Ship Financing Scheme, Small Industries Finance Scheme and Product Development Assistance Scheme. Most crucially of all, however, has been the Development Bank of Singapore (DBS) extension of long-term loans at preferential rates that has enabled manufactures to establish their operation in Singapore despite considerable international competition. The net result was that Singapore became, and remains, effectively a platform for multinational enterprises seeking to establish off-shore manufacturing operations, to service their home markets, and the small but growing consumer base within Asia¹⁸. Given that the PAP's survival depends on the ability to drive rapid changes to the economy, reliance on market forces and entrepreneurship by themselves is deemed inadequate. Indeed, a corporatist approach is considered essential to guide the economy to fruitful ends. Singapore's domestic economy is dominated by enterprises such the Singapore Port Authority, Changi Airport, Singapore Airlines, Singtel and other major corporations that are uniform in the fact that the Singapore government remains the controlling shareholder and hence the final decision-making player¹⁹.

The Political Risk of the PAP's Governance Paradigm?

Lee Hsien Loong's appointment as prime minister and the elevation to senior cabinet positions of several younger generation cabinet members was heralded by the PAP as the changing of the generational guard. A new generation of leaders for Singapore's twenty-first century challenges was the political line taken by the PAP and the controlled media²⁰. The problem for the PAP is that no matter who holds the office of the prime ministership, the

widely-held perception is that Lee Kuan Yew, who holds the cabinet post of Minister Mentor, remains predominant²¹. Put simply, for many Singaporeans, a younger generation may govern, but the founding prime minister still ‘rules’, and only his total removal from the political scene or death will alter this power structure. The future challenge with the continuation of this political paradigm is such: What ‘new ideas’ are likely to come from a PAP cabinet whose institutionalised selected criteria is based firmly on the Lee Kuan Yew’s techno-engineer paradigm of personal intellect and character? There are growing concerns over the cost Singapore will pay for this ‘political stability’:

the PAP’s clean-room approach to politics is worrisome: it produces a political sphere that is sterile, in both senses of the word – not just antiseptically clean, but also devoid of vibrant life. Singapore is not in danger of having an over-politicised populace any time soon. The opposite condition, however, seems a more likely risk: a weak, underdeveloped political culture that is unable to meet the challenges of democratic citizenship, including the challenge of finding leaders²².

The political implication is that Singapore’s creative talent, vital to Singapore’s new economic drivers in entertainment and services, whilst willing to tilt the innovation wheel selectively, remain restricted and stilted in the public sphere. The creative minds defined as crucial to the new economy of Singapore are not only completely absent from the political centre, they are often completely ignored by it, or indeed, besieged by it.

This author argues that the future of Singapore’s political framework should be examined through the very same economic-corporatist context that the Singapore elite themselves espouse to be prescient with. That is, the political predominance of PAP group-think, its obsessive commitment to scientific-technocracy to the exclusion of almost all other skill-sets from the higher reaches of office, poses an economic risk-management threat to the long-term future of the Singaporean economy. Williamson’s (2004) risk framework, whilst directed at Asian multi-national corporations (MNCs), can equally be applied to the PAP’s narrow political ‘talent’ framework:

Relying solely on home grown sources of innovation also leaves you exposed to competitors coming from left field with unfamiliar tactics that catch you by surprise²³.

Having pronounced itself as the party of modern corporatist governance, the PAP has left itself very much open to being judged on how it responds to the very same challenges facing

global multinational enterprises in the first-decade of the twenty-first century. The problem for the PAP, and one it has openly acknowledged, is that its traditional behaviour falls outside of the paradigms being set by MNC for their continued sustainability within a globalised market place. There has been much talk of political renewal within the PAP over the previous decade, without much change in the collective thinking and backgrounds of the political participants incorporated into the cabinet or other higher echelon positions within the PAP or government²⁴. To the PAP, the raising of the question of internal intellectual renewal or stagnation, in fact, strikes at the heart of its claim to continued political-economic legitimacy. Ho (2000) makes this point clear:

To the PAP and the Singaporeans, governing well means first and foremost the government's capability in bringing economic progress and material well-being²⁵.

It has responded forcefully to these charges from opponents by maintaining that 'pragmatic' policy advocacy remains central to PAP thinking, including bringing in outside ideas through the co-option of former critics to significant government boards and statutory authorities. Another strategy has been to openly remunerate cabinet members and top public servants at levels near those of their MNC counterparts as means of recruiting and retaining the 'best' candidates to drive Singapore's future prosperity²⁶. The fact remains, however, that the new recruits go through a rigorous selection process that assures collective thinking, and so the PAP remains vulnerable to challenges not deemed within the purview of its coherent elite make-up²⁷.

Caught off Guard: The PAP's Deliberative Strategy, the Asian Financial Crisis (1997-98) and the IT Bust (2000-2001).

The Singapore success story of economic development and progress, from ports, airport, manufacturing and finance can not be underestimated and can only rightly be defined in highly successful term. It has been, and continues to be, characterised as the product of 'deliberative strategy' as administered by the PAP elite and close corporate associates²⁸. The central driving ideology is absolute economic growth, with equity placed as secondary to delivering Singapore broad economic progress:

One school of thought, which is regrettably commanding increasing support, has reasoned that it is better to have fairer distribution of wealth than its rapid accumulation. In other words, more equity in

sharing the GNP is better than just increasing it. This assumes that there is a trade-off in third world countries between faster growth and fairer income distribution. Such a trade-off may well exist in rich countries, but for poor countries such a policy choice is available only in exceptional circumstances. In the general case, Third World countries have no choice but to seize every opportunity to increase their GNPs²⁹.

As examined in previous sections, policies have been pursued vigorously through energetic actions by highly qualified political and bureaucratic elite and at the centre of the economic development strategy was the attracting of global MNCs committed to export promotion, due to the small size of Singapore's own domestic market. From 1959 to 1997 the deliberative strategic approach went largely unchallenged as Singapore became an international model for rapid, sustained economic development along with the other Asian tigers of Taiwan, South Korea and Hong Kong. There have, however, in the last decade been two distinct events in which the PAP has clearly been caught off-balance in terms of predicting and initial management of downturns and structural changes in the economy: the 1997-98 Asian financial crisis and the 2001 electronic sector restructuring.

The Asian financial crisis, erupting in the region in the second-half of 1997, brought to a rapid end to Singapore's uninterrupted high levels of economic expansion, and an end to the consensus that the deliberative approach alone would sustain Singapore over the coming decade. For a nation that had come accustomed to high levels of annual economic growth the crisis hit hard:

- ❑ the growth rate declined from 8% in 1997 to only 1.5% in 1998, with technical recession in last two quarters 1998.
- ❑ Singapore stock market suffered sever deflation of -47% between June 9, 1997 to August 5, 1998 compared to -49% for Hong Kong and -20 percent for Taiwan.
- ❑ On July 17 1997 Singapore MAS allowed Singapore dollar depreciate to lowest level since February 1995.
- ❑ 27,000 employees retrenched in 1998, a 35 percent increase over the last recession in 1985/86.³⁰

The psychological impact of the rapid hit to the economy is less easy to define, but was no less pronounced. The PAP and corporate elites perceived Singapore's affected economic position as being the consequence of international contagion, of circumstances entirely beyond their immediate control. No one doubted the robust nature of Singapore financial

sector governance at the same time the stock market was in severe decline. Indeed, the Monetary Authority of Singapore (MAS) required capital adequacy ratio of 12 percent, well beyond the Basel Agreement's 8 percent requirement, whilst the Singapore banks actually held 16-17 percent at the time³¹. Whilst these measure unquestionably saved Singapore from severe economic contraction, the very fact the economy was impacted upon to the degree outlined above left the PAP leadership and the populace in no doubt that the government, no matter how deliberative, was only partially in control of the nation's future prosperity.

A clear indication that the PAP elite were caught off-guard by the extent of the Asian crisis was the fact that having introduced the annual budget in February of 1998, the government was quickly forced to revise it as it introduced a \$2 billion cost reduction package in June 1998, which did have the effect of stabilising the economy. Even this, however, proved insufficient and was followed up November 1998 by a \$10.5 billion package aimed at cutting business costs by 15-18 percent, including a 10% reduction in employers' contribution to employees' Central Provident Funds (CPF)³². Their hyperactive stance once the Singapore economy was clearly sliding highlighted the fact that the PAP legitimacy rested well beyond the political structures:

It can also be noted that during the 1997/98 Asian financial crisis, the Singapore policy-makers were extraordinarily concerned and determined to come out of the crisis intact, as they know very well that their reputation, and ultimately their legitimacy, would depend on how well they handled the economic crisis³³.

The PAP utilised its authoritarian command over economic mechanism such as the Central Provident Fund (CPF) to cut salaries by 10 to 15 percent by relieving employers of substantial contribution towards their employees' savings accounts. Further, the PAP elite utilised the government's extensive network of government and government-linked corporations (GLCs) to introduce economy-wide savings and productivity gains across the national economic landscape³⁴. The PAP leadership took these decisive economic policy actions without public consultation, and without apology, as it made clear its political legitimacy was founded on a willingness to act decisively in the 'national interest'. The subtext, of course, being the long-held and expressed political criteria that the PAP's and the nation's interest are defined as one and the same³⁵. The tough daily rhetoric of the PAP political leadership throughout the crisis, and the full-throttle government enactments to place a floor under the Singapore economy, however, did not hide the fact that they initially

underestimated the domestic impact of the regional crisis and were caught playing a game of policy catch-up. The forcefulness of the PAP leaderships' political defence to the allegation they were caught out by the extent of the crisis simply highlighted the fact that their legitimacy in Singapore's HDB heartland rests almost exclusively on their ability to deliver the goods (in a Singaporean context 'delivering the chicken rice', in an American context 'delivering the bacon').

In the wake of the Asian financial crisis, the PAP moved to highlight the fact that the linkage between political systems and financial crisis was a highly dubious empirical connection:

There is no clear correlation between political systems and financial vulnerability. The only correlation that is clear so far is that between good governance and resilience in times of financial crisis. Good governance is not associated with any single political system or ideology, but with the willingness and ability of governments to develop economic, social and administrative systems that are resilient and able to handle challenges of the new economics we are now entering³⁶.

In this the PAP is correct, previous studies by this author and others make clear that financial crises have afflicted both democratic and non-democratic societies alike³⁷. The PAP felt the need to make a compelling public case in regard to this political-finance nexus so as to distance them politically from the significant impact of the crisis upon Singaporeans, specifically the working and lower-middle class, economic well being. The lesson taken from the crisis was that Singapore's economic ascendancy, largely uninterrupted from 1959 to 1997, was far from assured and that globalisation meant there was little the PAP could do about this fact³⁸. With 55 percent of Singapore's commodity exports going to East and Southeast Asia, and the region being a major consumer of Singapore's services (finance, tourism, medical expertise), the 1997-98 regional crisis simply fully exposed the extent to which Singapore is part of the regional economy³⁹. The policy implications for the PAP, however, were clear, and its leadership have since openly talked of the need to move Singapore even further towards a version of total global economic integration, effectively diversifying the economy away from over-reliance on any one regional source. It is a form of risk minimisation through maximum exposure to all of the world's regional markets, so if one should falter economic links with the remainder would support Singapore's continued growth.

The success or otherwise of this strategy, however does not alter the fact that no open discussion within Singapore on why the PAP missed the warning signs of the Asian financial crisis has ever taken place. Whilst others who also missed the warning signs, such as the International Monetary Fund and World Bank have been subject to vigorous public debate and crucifixion by their critics, the political stranglehold of the PAP on the nation means no equivalent domestic public assessments have ever taken place. No doubt internal PAP reviews did take place, but these have never been exposed to any kind of external scrutiny, so remain a mystery.

Electronics Crisis of 2001

Only two years (2001) after Singapore had begun to recover from the impact of the Asian financial crisis of 1997-98, and the PAP's political legitimacy founded on economic management secured, the American information technology bust of 2001-2002 reverberated throughout the Singapore economy. The immediate economic impact was mass retrenchments within Singapore's large electronics sector. The importance of the electronic sector to the PAP is hardly confined to export dollars, but politically crucial in its ability to provide mass employment to semi-skilled Singaporeans within the PAP's political heartland. The PAP leadership, as a result, offered an implicit industrial policy for the sector, providing it with a wide-array of financial and technical support⁴⁰. A number of research and development plans (R&D plans) from the 1985 National Information Technology Plan (NITP), 1991 Strategic Economic Plan and the 1998 Committee on Singapore's Competitiveness (CSC) had outlined the developmental strategy for growing the electronics sector as a key platform within the national manufacturing sector. The National Science and Technology Board was amply funded at \$S2 billion from the first five year plan (1991-95) and \$S4 billion for the second five year period (1996-2000), reflecting the PAP leadership's commitment to the electronic sectors' movement up the international technological ladder⁴¹. The Singapore government was to find this investment accounted for little as the global information technology and electronic sector went into severe contraction in 2001, exiting Singapore shores as mass producers, despite the above wide array of government investments and incentives. Whilst higher end design and technology remained due to further Singaporean government inducements for them to remain, the crucial semi-skilled positions evaporated leaving thousands of middle aged, semi-skilled Singaporean without jobs. So whilst

Singapore's future as a designer and manufacturer of high-end electronics was secured, the immediate and future political dynamics were poor for the PAP.

The electronics economic downturn (2001-2002), so close to the Asian financial crisis driven national economic downturn (1997-98), was a bitter pill for the Singapore leadership. In both finance and electronics they had, over the preceding three decades, positioned themselves in accordance with global best-practice to receive international funds and maintain foreign direct investment:

The emphasis on job creation is unrelenting, and the government's friendliness to global capital, as the main provider of those jobs, has earned Singapore recognition as one of the freest economies in the world⁴².

The PAP, as they had been with the Asian financial crisis, was caught totally by surprise by the severity and duration of the international electronics downturn. Leaders such as Lee Kuan Yew, Goh Chok Tong and Lee Hsien Loong, repeating their 1997-98 modus operandi, upped their public pronouncements for the need to broadly explore Singapore's future economic direction⁴³. Whilst the PAP remains to this day an open advocate of this sector in its now high-end technical form, these public pronouncements can be seen as the PAP politically repositioning itself in the face of two unexpected economic downturn that had undermined its legitimacy as the deliverer of economic prosperity to *all* Singaporeans.

Future Directions: Political Legitimacy through Global Growth

By any measure Singapore's most recent economic growth has been impressive with annual GDP expansion of 7.6 percent from 2004-2006 and 7.7 percent in 2007⁴⁴. To further attract foreign multinationals corporate tax rates have been cut from 26 percent to 20 percent over the 2001-2006 period and manufacturing investment has moved from \$7.5 billion in 2003, to \$8.3 billion in 2004 and \$8.5 billion in 2005. The search to attract foreign talent has seen permanent residence status grow 8.7 percent between 2000-2005. This level is 10 times that of growth in citizenship and reflective of the PAP's desire for a mobile international work force. The unemployment rate has reduced from 4.8 percent in 2003 to 2.7 percent in 2006, while employment creation has moved from: -12,950 in 2003 (as electronic sector jobs

exited), to + 71,400 in 2004 and +113,300 in 2005. Half the new jobs created in Singapore presently go to foreign workers. The service sector has risen from 62.2 percent in 2000 to 63.1 percent of GDP in 2005 with new investments in financial services (private banking and wealth management), biomedical research, and luxury tourism and resort development (Resort World at Sentosa). This new economic growth must be viewed not only within the context of successful PAP policy adjustments to the national economy, but as part of a changing economic structure within Asia in which products and services are increasingly directed towards domestic and regional needs and not exclusively for export to the West. This progress, however, has not been achieved without financial pain to Singaporean workers who saw their employer contribution to their Central Provident Fund (CPF) cut 3 percent, from 16 to 13 percent of income in 2004⁴⁵. The economy has split into two distinct sectors, the global and the domestic, with members of the former being the clear winners whilst the later group is clearly being left behind (see Appendix Table).

The notably increasing role of services within the Singapore economy highlights the fact that the national economy has moved away from its tradition manufacturing-infrastructure-development emphasis towards economic activities more reliant on ‘soft’ skills. Post-2001, and with increasing emphasis under Lee Hsien Long, the PAP has highlighted its plan to centre the service sector on the following:

- ∞ Global talent
- ∞ Global universities, and,
- ∞ Global financial and economic institutions

The open courting of foreign professionals, massive investments in domestic universities, including the opening of Singapore Management University (SMU), the building of the Esplanade Theatre complex, the decision to build two massive integrated resorts, expanding medical services to foreign patients/customers, and the rapid expansion of private wealth banking services, are all part of a burgeoning service sector. Further, the Singapore government has established alliances between Singapore firms and major foreign Multi-National Corporations (MNCs) in a number of high tech industries, including semiconductors wafer fabrication, chemicals, biotechnology and medical research. Collectively this

restructuring can be seen as part of the PAP leadership's 'globalisation of the economy' project.

The need for the PAP to revalidate its political legitimacy after the two rapid economic downturns of the late-1990s, early-2000s centred on the political fact that:

Today, most Singaporeans judge people, institutions and policies on their bottom-line contribution to material wellbeing. It is a shared ideology that in the end makes the PAP's job of coordination and control much easier⁴⁶.

Anything less than the full revitalization of the Singapore economy would have left the younger Lee being compared unfavorably to his predecessors, and hence the legitimacy of the whole younger generation of PAP leadership coming under question. Questions however remain unanswered. The major investments in service sectors across the economy will fundamentally alter not only the economy, but the human capital produced by the city state. As the service economy expands and diversifies over the next decade as a direct result of government investments currently taking place, how will the PAP give voice to the domestic talent that emerges? To date no moves have been taken to extend the PAP talent pool beyond the narrowly confined technocratic 'qualities' required by the party elite; a position that pragmatism, the defining ideology of the PAP, should dictate is untenable. How the PAP manages to incorporate new talents from outside its tradition pool will dictate its future, but not the nation's future. As the above quotation makes clear, the Singaporean people place their own future prosperity over political party considerations.

Appendix Table: Singapore's Global & Domestic Economy	
Global	Domestic
Global: cater to the international economy in goods and services. eg. International wealth management has rapidly expanded over the last decade.	Domestic: cater to domestic goods and services. eg. Wholesale banking to domestic-oriented employees. SGD lending has been stagnated over the last decade.
Global remuneration for managers, professionals and highly skilled engineers	Recent household survey showed that the bottom 30 percent income percentile saw incomes fall over the period

and scientists.	2000-2005”... average fall of 2.8 percent...
Singapore’s financial sector has the highest rating of regulatory and institutional capacity not only in Asia, but the world. Totally open to global shift in liquidity and financial sector environment.	Singaporean’s domestic choices, at a practical level, remain largely limited to the existing Singaporean-based banks.
International construction projects, at the peak-end of the market place, have enjoyed a boom with resort and resort-style developments becoming prominent.	Construction sector: domestic sector residences have stagnated over the last decade with numerous domestic-oriented construction/renovation groups exiting the market.
Singapore infrastructure for high-level science, technology, management and education activities	Singapore’s immediate economic zone: Iskandar Development Region and Batam/Bintan developmental zones in Indonesia to be utilized for lower level manufacturing and industrial activities.
Singaporean enterprise expands into China, ASEAN and India in an effort to diversify their income sources.	MNC involved in low-skilled activities exiting Singapore. The ‘hollowing-out- process. Fewer opportunities for Singapore’s low and semi-skilled workers.

End Notes

¹Tan Tarn How. ed. 2007. Singapore Perspectives 2007: A New Singapore. Institute of Policy Studies & World Scientific: Singapore.

²Goh Chok Tong: “He epitomizes the new breed of Singaporean leaders, with strong academic credentials, early professional success and a rapid ascendance in politics” Ho Khai Leong. 2000. The Politics of Policymaking in Singapore. Singapore: Oxford. p. 49).

³Tan Tarn How. ed. 2007.

⁴Leifer, Michael. 1998. in Lee Tsao Yuan and Arun Mahizhnan. 1998. Singapore: Re-engineering Success. Singapore: The Institute of Policy Studies, Singapore and Oxford Press. p. 19.

Leifer in 2000 goes on to state: “Singapore’s accomplishments are also the product of an efficient authoritarian political system which generates strong mixed feelings in the West. That system has been based on continuous rule through general elections by the People’s Action Party (PAP) ever since the island attained self-government in June 1959”. Leifer, Michael. 2000. Singapore’s Foreign Policy: Coping with Vulnerability. London: Routledge. p. 17.

⁵ “Certain draconian laws [ISA specifically], controls on political participation, and measures limiting civil and political rights and freedom of the press, mean that Singapore is, to some extent – critics vary on the degree – an authoritarian state”. Mauzy, Diane K. and R.S. Milne. 2002. p. 128.

⁶Chua Beng Huat 1998. in Lee Tsao Yuan and Arun Mahizhnan. 1998. Singapore: Re-engineering Success. Singapore: The Institute of Policy Studies, Singapore and Oxford Press. p. 70.

⁷Ho Kai Leong, 2000. p. 152.

⁸Ho Kai Leong (2000) stating that; “In many ways, Singapore’s bureaucrats are politicians in their own right. They do not merely serve; they also wield decision-making power without an electoral mandate” (pp. 22-23). Further, “In the process of political consolidation, the PAP has established its control over the bureaucracy to make it absolutely subordinate to its political masters” (p. 143). “From the List of the functions it performs, the bureaucracy can be seen to infiltrate into almost every aspect of citizen’s life” (p. 147).

Singapore bureaucracy: “On the contrary, a dissatisfied citizen who protests to much is liable to be lectured on the need to respect the government’s authority. It is a unique - and convenient - mix: the most modern, capitalist system of remuneration, coupled with a feudal belief in a cosmic hierarchy that separates rulers from ruled”. George, Cheridan. 2000. Singapore: The Air-Conditioned Nation. Essays on the Politics of Comfort and Control 1990-2000. Singapore: Hallmark Books. p. 78.

⁹Ngiam Tong Dow. 2006. A Mandarin and the Making of Public Policy. NUS Press: Singapore.

¹⁰ Jones, David Seth. 2001. “Budgetary Policy in Singapore”. in Low, Linda and Douglas M. Johnson. ed. 2001. Singapore Inc.: Public Policy Options in the Third Millennium. pp. 139-141. & Tan Tarn How. ed. 2007.

¹¹ Leifer, Michael. 2000. p. 56.

¹²Mauzy, Diane K. and R.S. Milne. 2002. p.176.

¹³Neher, Clark D. 1999. in Haas, Michael. ed. 1999. The Singapore Puzzle. Westport, Connecticut & London: Praeger. p. 52.

¹⁴George, Cheridan. 2000.

¹⁵Goh, Keng Swee. 1972 (republished 1995). The Economics of Modernisation. Singapore: Federal Publications. p. 106.

¹⁶Low, Linda. 1998. ed. The Political Economy of a City-State. London: Oxford University Press.

¹⁷Hon Sui Sen. (arranged and edited by Linda Low and Lim Bee Lum). 1997. Strategies of Singapore’s Economic Success: Speeches and Writing by Hon Sui Sen. Singapore: Federal Publications. p. 131.

¹⁸ “From the early days of independence, Singapore also had its interests served by the willingness of American multinational enterprises to locate their factories and regional headquarters in the Republic. The contribution of such multinationals played a decisive part in the industrial transformation of the island-state and in underpinning a new-found independence with economic growth and vitality”. Leifer, Michael. 2000. p. 106.

¹⁹Koh, Winston T.H. and Roberto S. Mariano. 2006. The Economic Prospects of Singapore. Pearson Addison Wesley: Singapore.

²⁰Ngiam Tong Dow. 2006.

²¹The widespread public perception, however, is that he [Lee Kuan Yew] is still very much in command as far as major decisions and strategic direction of the country are concerned. Ho Kai Leong, 2000. p. 63.

²²George, Cherian. 2000. p. 46.

²³Williamson, Peter J. 2004. p. 112.

²⁴For PAP biographies see the People's Action Party official web site: www.pap.org.sg

²⁵Ho Kai Leong, 2000. p. 76.

²⁶Ho Kai Leong, 2000. p. 162. For a source on the salaries of the PAP elite:
www.atimes.com/atimes/Southeast_Asia/ID05Ae01.html

²⁷Ngiam Tong Dow. 2006.

²⁸“Undoubtedly, deliberate strategy on the part of a proactive and pragmatic state has been the linchpin of Singapore post-independence economic success”. Kwok Kian-Woon. 2001. in Singapore Exposed: Navigating the Ins and Outs of Globalisation. Singapore International Foundation: Singapore.

“Singapore’s rapid development as a financial centre since the late 1970s has been aided by a host of provisions and incentives by the Singapore government”. Rodan, Garry, 1997. The Political Economy of South-East Asia: An Introduction. Sydney: Oxford University Press. p. 157.

²⁹Goh Keng Swee. 1977, 1995. p. 182.

³⁰Augustine H.H. Tan. 2001. in Low, Linda and Douglas M. Johnson. 2001. p. 24-26. & Lee Tsao Yuan. 1998. “The Financial Crisis: Impact on the Singapore Economy”. in Singapore: The Year in Review 1998. Singapore: Institute of Policy Studies & Time Academic Press. p. 27.

³¹ Lee Tsao Yuan. 1998.

“The main reason why the S\$ was relatively unaffected was because the financial system in particular and the economy in general were fundamentally sound. Domestic bank exposure to the region did result in a rise in non-performing loans. As a result, banks made large provisions in their mid-year results, but there have been no bank failures and only one bank merger – crisis-weakened Tat Lee bank with Keppel Bank”. Lee Tsao Yuan. 1998. p. 24.

³² “The 1998-99 Budget announced in February 1998 clearly underestimated the Crisis.....The Budget was not designed to be anti-recession in terms of a stimulatory deficit. Instead, the projected surplus was \$7.27 billion... The declaration of the economy during the second quarter of 1998 prompted the Government to introduce a three-pronged off-budget package worth approximately \$2 billion designed to alleviate the Crisis”. Augustine H.H. Tan. 2001. “The Asian Economic Crisis: the Way Ahead for Singapore”. in Low, Linda and Douglas M. Johnson. 2001. pp. 26-27. The package included a

- 40% tax rebate on commercial and industrial property
- rental rebates by FTC and HDB by up to 20%

³³Ho Kai Leong, 2000. p. 77.

³⁴ Singapore government, statutory boards and GLCs account for 60 percent of the economy whilst MNC control 80% of the manufacturing sector. Augustine H.H. Tan. 2001. in Low, Linda and Douglas M. Johnson. 2001. pp. 31.

³⁵ “Singapore’s ability to cope with the regional economic storm better than most, as well as to return to growth, has been a function of an authoritarian interventionist system of governance and financial regulation justified with reference to its underlying vulnerability”. Leifer, Michael. 2000. p. 12.

³⁶Mahbubani, Kishore. 2002. Can Asian Think: Understanding the Divide Between East and West. Steerforth: New York. p. 32.

³⁷Austin. Ian. 2004. Goh Keng Swee and Southeast Asian Governance. Marshal Cavendish Academic: Singapore. & Koh, Winston T.H. and Roberto S. Mariano. 2006.

³⁸The East Asian crisis is a result of both macro and micro problems. It was as much driven by sentiments as by fundamentals. Most importantly, the crisis has taught us all that in an increasingly globalized economy no one country is insulated from events elsewhere in the region or even the globe at times. Fong Cheng Hong. 1999. “The Financial Crisis: An Update”. in Singapore: The Year in Review 1998. Singapore: Institute of Policy Studies & Time Academic Press. p. 13.

³⁹In 1998 60 percent of Singapore’s investment went into Asia, 10% in Europe and 5.5% in North America. Campbell, Kasthleen M., Donald J. Campbell and Audrey Chia. 2001. “Regionalisation: Policy Issues for Singapore as a Transshipment Hub”. in Low, Linda and Douglas M. Johnson. 2001. pp. 62.

⁴⁰Montes, Manuel F. 1998. p. 155. Further; “The political leadership had always displayed a clear understanding of the importance of technological upgrading in sustaining economic growth, but until the late 1980s, the conviction was that Singapore should use its resources to exploit available technology from advanced countries rather than to create its own technologies”. Wong Poh Kam. 2001. “From Leveraging Multinational Corporations to Fostering Technopreneurship: The Changing Role of S&T Policy in Singapore”. in Low, Linda and Douglas M. Johnson. 2001. pp. 51.

⁴¹ Wong Poh Kam. 2001. in Low, Linda and Douglas M. Johnson. 2001. pp. 60.

⁴² George, Cherian. 2000. p. 16.

⁴³ Ngiam Tong Dow. 2006.

⁴⁴Singapore Government Web. Economics and Finance. accessed September 20, 2008. www.gov.sg/pol_fin.htm

⁴⁵Tan Tam How. ed. 2007.

⁴⁶George, Cherian. 2000. p. 23.