

**Singapore: Place or nation?**

Linda Lim, For The Straits Times

2346 words

19 June 2006

Straits Times

English

(c) 2006 Singapore Press Holdings Limited

What makes a country a home? Is it emotional ties or purely economic self-interest?

SINGAPORE'S economic development has never relied on its being a nation. First a colonial port where immigrant merchants and labour served the needs of the British empire, after independence in 1965 its economic policy still located the city-state within the regional trade and global production networks of foreign corporations.

Unlike Asia's other export-oriented 'developmental states' - Japan, South Korea and Taiwan - Singapore did not actively nurture or encourage a local capitalist class. Foreign and state enterprises were favoured, so 'national champion' outfits such as Toyota, Samsung and Acer never developed.

Instead, Singapore has always been a 'global city' - a place where parts and people are imported to produce goods and services that are exported to foreign consumers.

To be sure, given its size constraints, the strategy of being a niche player in multinationals' global value chains is quite defensible, even if other small countries - such as Switzerland, Denmark, Finland and New Zealand - have managed to grow locally owned global companies.

However, in Singapore, it is not market actors but the state that targets particular niches in global value chains, filling them overwhelmingly with subsidiaries of foreign enterprises. State policy has shaped local resources - labour, land, infrastructure, housing, fiscal regimes and cultural amenities - to provide a competitive place for particular foreign economic entities to locate.

The standard justification for state intervention in an economy is 'market failure' - where resources are not efficiently allocated because of the divergence of private and social costs and benefits.

In health, education and infrastructure, for example, society's net gain from an investment is greater than the private return to the individual, resulting in under-investment if left to market forces.

Market failure is common in developing countries but, as they develop, so do markets. State intervention then becomes less necessary. Yet the Singapore state

has kept its developmental role and control of the economy way past the stage at which a market-believer would expect it to 'wither away'.

### Active targeting

IT DOES not merely enhance productivity through social investments, but also determines the sectoral allocation of resources by shaping relative resource endowments and moulding competitive advantage in certain industries.

Thus state policy has targeted the development of specific 'clusters' in which Singapore does not have the requisite local resources, markets or leading companies.

In the capital- and talent-intensive field of the life sciences, foreign talent is imported (sometimes by paying above-world-market rates), and capital subsidies provided to foreign firms, to produce medical breakthroughs for global consumers.

This might make Singapore a profitable place for parts of the life sciences' global value chain to locate. But it is not clear where Singapore the nation benefits, since the jobs, profits and goods are produced overwhelmingly by and for foreigners. In this case, the Singapore state may be seen as acting as a steward of the interests of non-Singaporeans.

Foreign and local economic interests may be complementary. But if the state did not attract, steer and push resources in the direction of the life sciences, resources would be allocated to other sectors by local entrepreneurs. In a market economy, every investment choice, private or public, has an opportunity cost against which its economic benefit must be evaluated.

The Singapore state's penchant for 'picking winners' reflects its continued adherence to the last generation's successful industrial policy, and its distrust of markets and local private entrepreneurs as drivers of the economy, and possibly also as alternative leaders of a more pluralistic political and social system.

### A contradiction

THE official encouragement of entrepreneurship is based on a contradiction, since individual initiative and risk-taking in response to market forces are the essence of private entrepreneurship, not government exhortations, training and incentives. Both entrepreneurship and creativity spring from social conditions and an economic policy environment very different from the top-down control model found in Singapore.

The economic primacy of place over nation is reflected in the government's recent decision to allow international gaming companies to establish casinos in Singapore. Responding to local objections based on 'values' as well as economic concerns, the government argued that casinos would not undermine Singapore society because

Singaporeans would not be involved in the business as consumers but only as workers - though we may expect casino employees to be disproportionately foreign.

Singapore, in short, is to be a place where foreign profits are earned from foreign customers served disproportionately by foreign workers, and it is only the disentanglement of place from nation that makes the casino enterprise justifiable, given national objections. Such disentanglement may be considered inevitable given contemporary globalisation trends, the diminution of nationalism globally and Singapore's small size.

A state-directed foreign-dependent place-based economic development strategy could also yield higher income and non-monetary returns to nationals than market-determined local-entrepreneur-led nation-based activities.

But there are also economic risks and potential losses associated with defining Singapore merely as a place in competition with other places around the world. It exposes us to US columnist Tom Friedman's 'flat world' - ultimately a cost-based contest we cannot win - rather than building the particular competencies and strategies based on difference rather than sameness that strategy professors believe allow premium incomes to be earned by taking advantage of the world's roundness, rather than surrendering to its flatness.

For Singapore, this would mean 'market positioning' as a regional rather than a global city, exploiting location-specific advantages and limited regional competition, versus replicating the amenities of multiplying other 'global cities' such as London, New York or Shanghai.

Place-based economic development also has implications for Singapore as a nation. Most of the foreign workers who constitute a large part of Singapore's workforce are lower-skilled so will not be given the rights and responsibilities of citizenship. For them, Singapore is merely a place, not a nation.

The situation at the upper, more-educated, skilled and higher-income levels of the labour force is of more interest to the nation since it tends to be elites who lead nations and define nationhood.

### Stepping stone

THE government's 'foreign talent' policy resonates with our own immigrant history and, by shifting our comparative advantage towards more highly skilled activities, is complementary, as well as competitive, with local talent. But compared with the United States, which has a similar history and policy, immigrants form a much larger proportion of the labour force here and are particularly highly represented at its upper echelons.

My own experience with Chinese and Indian nationals who studied in Singapore's universities, often on Singapore government scholarships, worked here for a few years, then went to the US to pursue their MBAs, suggests that most use the place

as a stepping stone to the American job market. They tell me it is easier to get into a top American MBA programme, and to get a US visa, if they apply from Singapore than from their home countries. In the US, they tend to identify much more with students from their countries of origin, than with Singaporeans.

Economically, the circular flow of talent may benefit the economy by enhancing its flexibility. But politically and socially it may be a problem.

The nation, after all, is a political entity, and its ability to survive as such is already undermined in an era when globalisation allows economic survival and prosperity to occur with the bypassing of the national authorities in an increasingly 'borderless' world.

Today, in Singapore, place and nation increasingly do not coincide: Many of those in the place are not of the nation, and many of the nation are not to be found in the place.

What then constitutes the nation if it is to be more than an aggregation of the temporary or permanent residents of a place?

As elsewhere, there are different ways of 'being Singaporean', though much of our pre-nation-state identity was erased - most notably through language policy - to forge a 'new' national identity that would not conflict with survival and prosperity in a globalised world or encourage challenge to established domestic political authority.

National identity has been reshaped to serve economic and political goals, with the state itself becoming the determinant and arbiter of acceptable ethnic identities and their expressions, such as the enforced diminution of the Malay heritage of Peranakan Chinese and of the dialect heritage of the majority non-Mandarin-speaking Chinese.

If what makes a nation is its collective memory and shared values, it is difficult to find the nation in a place where memory has been erased or reconstructed and values pared to emphasise only social stability and material prosperity.

Fearful of the emergence of alternate centres of power, the Singapore state has pre-empted local private initiative in civil society as well as the economy, precluding the independent political involvement which engages and defines the citizens of nations but is typically denied foreigners, making them easier to control and, thus perhaps, the preferred inhabitants of the place.

A high-performing paternalistic state which engenders passive dependence and apathy on the part of contented - or fearful - citizens is perhaps a greater threat to

nationhood than an under-performing state which permits and provokes active civic and political participation.

A nation cannot exist in a political vacuum and, as in any organisation, the empowerment of stakeholders is necessary to engender the 'sense of ownership' that can elicit the best performance from citizens as well as foreign talent.

As parents and teachers, we know that the best way to develop our children and students is to let them 'own' projects and make their own mistakes while 'learning-by-doing', even though we may be more efficient at doing things than they are.

A 'global city' implies 'global citizens' like our immigrant ancestors, distinguished by their willingness and ability to move and change nationality in response to the ever-shifting competitive attractions of other places. A 'global city' also requires leadership by a cosmopolitan elite able to navigate the complexities of a global economy, further legitimating continued political control by the members of such an elite. We may even end up with a situation where Singaporean 'heartlanders', emotionally committed to their birthplace and relatively immobile in the global job market, are ruled by potentially footloose 'foreign talent', while members of the Singapore-born elite, raised to be 'global', depart for foreign shores.

## Biodiversity

VIEWING Singapore as a 'place' versus a 'nation' affects public policy. For example, Nature Society president Geh Min has noted that viewing Singapore as a city results in its physical environment being managed by urban planners and our land resources treated as real estate, defined by their globally determined commercial market value. Open spaces are seen as having value only as manicured parks, improving the urban quality of life.

Considering Singapore as a nation, however, would result in its physical territory, including the biodiversity represented in wild areas, being valued as a national treasure and birthright. Wild lands might then be preserved in their natural state for their emotive and affective appeal for nationals.

In education, Singapore the place and global city would overweight technical training of commercial value in subordinate parts of global value chains, and underweight the study of Singapore history, languages and literature which, like its security and economic future, are inextricably linked with those of its South-east Asian neighbours.

Singaporean scholarship students in the US have told me that they are often embarrassed that they do not know enough about their country and its neighbourhood to answer the questions of interested Americans.

Many Singaporeans see 'no use' in learning or thinking about our own past or present, while foreign faculty in local universities shy away from doing research on

Singapore that might be construed as 'controversial' or critical of the imagined local conventional wisdom.

A place 'unknown' to its own privileged and educated youth, and which fades away in teaching and research, risks disappearing as a nation.

I believe that national identity must have an irrational and not just an economically rational component, coming from emotional ties rather than pragmatic self-interest.

If I choose to become a member of a nation because it gives me a good job and lifestyle, I am really interested in that nation only as a place, and it makes sense if one day I leave it for another place which can offer me superior conditions and opportunities.

It is when I stick around when a place cannot guarantee me a good life, or I am concerned with the welfare of others in that place, and try to improve things even at a risk to my own good life (say, I join the political opposition), that I can say I am of the nation, and not just the place.

In the same manner, it is when I enter public service even though it pays a fraction of what I could earn in the private sector, that I can claim to be primarily interested in the public good and national welfare and to have a passion for public service.

A recent audience of Singaporean students at an Ivy League university nearly all raised their hands when I asked if they were 'afraid of failure'. But tolerance of risk and acceptance of failure are required for political democracy, business entrepreneurship, knowledge creation and scientific discovery.

If 'fear of failure' among the young elite of a place as successful as Singapore comes from a culture created by a strong state (since it is not present in ethnic Chinese communities elsewhere), this may undermine the nation, and possibly even the economy of the place itself.

The writer, a Singaporean, is professor of strategy at the Stephen M. Ross School of Business and director of the Centre for South-east Asian Studies, University of Michigan. This article is adapted from a talk given at the Institute of South-east Asian Studies on June 8.

Document STIMES0020060618e26j00024