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Singapore—An Asian economic miracle

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tion by foreign investors also tends to improve efficiency. It speeds up adjustment processes and exercises a stabilising effect on prices, while participation in technical progress raises the growth potential to a higher qualitative level.

In developing countries as elsewhere the continuous introduction of skilled management and know-how provides a gradual training in management attainments and furthers the autonomous evolution of such qualities. The encouragement of market economy patterns and the emergence of a middle class can form the nucleus of an advance to genuinely constructive competition and the establishment of a sound economic order.

Summing-up

Together with the many positive aspects of direct investment abroad which have been described, the investing firms must accept heightened risks and hazards. In this context mention need only be made of the possible difficulties in administration and taxation and the great political un-

certainities often met in capital inviting countries. Besides, there are the currency hazard and the risks arising from differently and perhaps less highly developed legal systems. These difficulties and impediments must be overcome by official incentives since private capital investment in less developed countries benefits both the donor and the recipient countries. Different circumstances in individual cases make for differences in approach and emphasis. But direct investment is bound to have an impact everywhere on market preservation, supplies, economic stability, cyclical upturns and downturns, the labour market and the balance of payments. It is therefore of importance for economic integration on a world scale; for economic growth and technical progress make the trend towards international business groupings, to multinational companies, inevitable. The search for alternative outlets in international markets involves integration with these markets and thus a high degree of exchangeability of technologies both as an aim and in reality. Total and global communication and liberalisation of world trade policies are the consequences to be desired.

Singapore – An Asian Economic Miracle

by Ronald Holloway, Toronto

The island's rapid industrialisation over the past decade and its development as the main trade and financial centre of South-East Asia, supported by a phenomenal growth in tourism, constitute yet another Asian economic miracle.

Aided by trade with Indonesia, increased exports resulting from the war in Vietnam, and a large influx of manufacturing investment, the GDP of Singapore now exceeds US \$1.5 bn and, with growth rates in double figures, the per capita income is one of the highest in Asia. The island republic is also notable for its political stability.

Development Board

Entrepot trade remains the basis of the island's prosperity, closely followed by manufacturing and domestic trade. Military services, once the most important sector of economic activity, are rapidly falling in significance. The cuts in British military spending have not only acted as spurs to industrialisation, however, but have also permitted it, with naval dockyards turned over to commercial shipbuilding and repair, including the construc-

tion of rigs for oil exploration in the area, and with a rapid build-up of commercial aircraft repair and the production of components anticipated as the result of military air bases becoming available for commercial use.

Government policy in recent years has been directed towards the expansion of manufacturing with the emphasis on production for export. Of the many steps taken to achieve this aim, the most important have been the establishment of an Economic Development Board, various tax concessions, the gearing of the educational system to providing the skills needed for factory employment, the provision of the region's first container terminal, the expansion of electricity and gas supplies, and tariff protection. As a consequence, manufacturing employment has more than trebled over the past decade.

The functions of the Economic Development Board are to investigate and evaluate industrial opportunities, to provide prepared sites, and to offer technical assistance. The Board has developed into a well staffed, well organised and energetic body. Its leading achievement to date has been the creation of the Jurong industrial estate. In place of the swamps, hills and decaying rubber trees which characterised the site in 1961 when the first bulldozers moved in, the varied industrial installations include an oil refinery, a shipyard able to drydock 100,000 ton tankers and eventually capable of expansion to take ships three times this size, an iron and steel mill, a tire plant, cement works, a basic chemical complex, a pharmaceutical plant, a sugar refinery, a fertiliser plant, a paper mill, plywood and veneer factories, textile mills and micro-electronics factories. The estate has road and rail services and deepwater and lighterage facilities.

Major Industries

The metal and metal products group of industries is by far the most important, accounting for more than a third of both the value added by manufacturing and of manufacturing employment. Shipbuilding and repair is the major activity within this group, with a versatile range of services including floating and voyage repairs as well as dry docking. The electrical goods industry follows closely in importance, with semi-conductor devices and television sets constituting major new products. This industry is expected to grow substantially.

The petroleum, chemicals and plastics sector is the next most important and also promises rapid growth. With its first refinery constructed in world record time in 1961, Singapore now has four on stream with a fifth well advanced. Singapore is now the largest petroleum refining, blending and distribution centre in South-East Asia and production is expected to rise to 500,000 barrels a day next year. Product range is diversifying to include base lubricants and solvents and, in view of the relatively low cost of naphtha, petrochemical diversification is also likely. There are good linkage possibilities related to the production of PVC, polyester, nylon and other synthetic resins for the adhesives and paints industries; and plastic packagings and mouldings and industrial gases are further growth fields.

The food, drink and tobacco sector is the next most important. Food products cover a wide range of canned meat, fish, fruit and vegetables; processed poultry; dairy products; sugar, chocolate and confectionery; and biscuits and cereals. The

industry is becoming increasingly export-orientated with emphasis on markets in developed countries. The most important food processing and canning operations to be developed in the near future are likely to relate to the establishment of a large-scale deepsea fishing industry.

Although Singapore has no productive forests, it has become a major centre for the production of sawn timber, plywood, veneers, furniture and paper. There is much scope for upgrading in this sector, however, and waste utilisation deserves consideration. After stagnating for a number of years, the printing and publishing industry is being expanded to operate on an international scale. The rubber, textiles, leather, clothing and footwear industries together constitute the only other sector of importance. Rubber processing, formerly the island's dominant manufacturing activity, continues to decline in both absolute and relative importance. Textiles and clothing, on the other hand, have emerged as among Singapore's most important exports. Here, again, upgrading is indicated.

Finance

Private savings predominate in Singapore's economy which did not have a separate currency until 1967 but which is now the centre of the Asian dollar market with a growing pool of hard currencies. Singapore's role as a regional financial centre was enhanced this year by the Government's approval for the establishment of branches of six foreign banks, including the Deutsch-Asiatische Bank and the Deutsch Asien-Pazifik Bank. Apart from certain restrictions relating to the collection of domestic deposits, these banks will offer normal banking services, although particular emphasis will be given to promoting international banking activities.

The role played by non-resident companies, whose investments have been channelled mainly into Singapore's manufacturing industries, has been of considerable importance since these investments have been accompanied by techniques which local entrepreneurs do not possess, and local issues of shares have been heavily oversubscribed. Total foreign direct investment is estimated at about US \$ 600 mn of which UK firms hold US \$ 335 mn, US firms US \$ 150 mn, and Japanese US \$ 35 mn. Established foreign investors include Shell, British Petroleum, Metal Box, British Oxygen, ICI, British American Tobacco, Rothmans, Ford, Esso, Mobil Oil, Union Carbide and Unilever while new investors include General Electric of the US, Plessey of the UK, Philips of the Netherlands, Sandvik of Sweden, and Rollei Werke and SGS of West Germany.