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# Why Singapore Succeeded: Applying the Acemoglu and Robinson- Sachs Debate

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Why are some nations rich and some poor? Who are the winners and losers of colonialism and why? These questions have recently gained much attention, not only amongst historians but also economists who are now looking into global history to provide a fuller understanding of why and how had nations developed. One of the most recent works was *Why Nations Fail* by economist Daron Acemoglu and political economist James Robinson. They hypothesise that the nature of political institutions are the causes of why some countries are rich and some are poor today. Their works raised lively debate and comments, including those made by Jeffrey Sachs who argues that such mono-causal explanation is too simplistic. Both works made references to Singapore as one of the many case examples to illustrate their arguments. How is Singapore's economic transformation explained in the light of this debate? The small city-state had a history of 145 years of colonial rule under the British and for about three years it was known as *Syonan-to* or the "Light of the South", under the Japanese Imperial Empire. Acemoglu and Robinson are pessimistic that former colonies of European empires are ever able to become rich nations. The economic transformation of Singapore, a colony of the British Empire, has proven otherwise.

By the end of the Second World War, the British Empire was effectively gone. At its apogee, it was one of the largest

territorial empires the world has ever witnessed and it profoundly shaped the lives of people both in Britain and overseas. The debate as to whether former colonies of Britain – and the other European empires – came out as “winners” or “losers” is still popularly debated. Undoubtedly, some imperial nations were better rulers than others and their colonies performed better after gaining full sovereignty and independence. For the Spaniards, the conquest of the Americas was accomplished with much cruelty and treachery, and all in the name of seeking and controlling the treasures of the lands. For the Portuguese in Asia, fortresses and defensible strongholds such as Goa had to be built in order to control trade, the local merchants and the population at large. As for the Dutch, their rule of the Indonesian archipelago was largely exploitative. Economic historians have also debated much on the impact of “developmental colonialism” in former colonies in the East and Southeast Asia. It is well documented (Myers & Beattie, 1984; Fuess, 1988; Haggard, Kang & Moon, 1997; Kohli, 2004) that the two former Japanese colonies of South Korea and Taiwan have achieved remarkable economic growth post-1945. In her comparative study of the economic performance of colonies in East Asia and Southeast Asia, Anne Booth concludes that those who argue that “it was post-colonial policies which were crucial in transforming both states [Korea and Taiwan] and in holding back South East Asian

countries would still seem to be on stronger ground” (Booth, 2005).

Historians generally agreed that the British were the most benevolent of the European imperialists because of their willingness and ability to invest in social overheads and their reliance on local elites to administer their “informal” empire. They sought trade, although “Christianity, commerce and civilization” often led to embroilment in local affairs and subsequent conquest of the lands. “What the British Empire proved”, writes Niall Ferguson (2011), “is that empire is a form of international government that can work – and not just for the benefit of the ruling power – [and] the notion that British imperialism tended to impoverish colonized countries seems inherently problematic”. In *Civilization*, the historian argues that western dominance has been a good thing for the world. Ferguson proposes that the West ascendancy is based on six attributes which he labels as “killer apps”: competition, science, democracy, consumerism, the work ethic and medicine. For Great Britain, the spread of British rule between the 1840s and 1930s gave to the world the institutions of parliamentary democracy, a global network of modern communications, the rule of law and, especially during the 19<sup>th</sup> century, free trade, free capital movements and, with the abolition of slavery, free labour. Finally, though Great Britain fought many small wars, the imperial army had maintained a global peace for a long period of time. Great Britain encouraged its imperial investors, traders and merchants to put their money in wide-flung colonies where British rule had reduced investment risks. Within the peace and order of the *Pax Britannica*, the empire operated like a gigantic development agency, distributing technical knowledge and erecting infrastructures of industrial progress - roads, railways, ports, posts and telegraphs – methodically carried out by

British agents of change. Ironically, it was the “crown jewel” of the British Empire – India - that was often cited by economic historians for development that went wrong.

Many explanations were offered for the failure of India to experience its own “Industrial Revolution”. David Landes (1998) attributed India’s failure to the Indians themselves. Although the British left behind an infrastructure of roads, ports, railroads, and buildings, “no one seems to have had a passionate interest in simplifying and easing tasks [and] both worker and employer saw hard labour as the worker’s lot – and as appropriate” (1998, p. 227). Even with the introduction of modern, labour-saving machinery in railway construction, Indian workers would rather “move earth and rock by hand” (1998, p. 229). And, with the wheelbarrow, it was reported that Indian labourers would place it on their heads rather than wheel them. Gregory Clark (2007) argues that the critical reason for India’s backwardness was in the inabilities of the Indians to use the new technologies effectively – as seen in the factory production of cotton textiles and railways. Cultural factors were also put forth by Acemoglu and Robinson (2013) for underdevelopment of nations like India. They contend that “the development of a uniquely rigid hereditary caste system [had] limited the functioning of markets and the allocation of labour across occupations” (2013, p. 118). Acemoglu and Robinson maintain that “[i]n these places, [the imperialists] put in motion a set of institutional changes that would make the emergence of inclusive institutions very unlikely [and] most of these places would be in no situation to benefit from industrialisation in the 19<sup>th</sup> century or even in the twentieth” (2013, p. 299).

In the case of Singapore, after 145 years of British colonial rule and contrary to what Acemoglu and Robinson’s stand on the

inevitable fate of former colonies, Singapore today has one of the world's most open economies and is one of the world's richest nations. Several studies have been done to explain its phenomenal transformation, from "Third World to First" as described by Lee Kuan Yew (Lee, 2000). Huff (1994) maintains that the phenomenal development of Singapore has been based on a strategic location at the crossroads of Asia, a free trade economy, and a dynamic entrepreneurial tradition. He assesses the interaction of government policy and market forces, and places the transformation of the Singapore economy in the context of both development theory and experience elsewhere in East Asia. Singapore is also cited as a successful case of the so-called "East Asian development model". Some of the major components of this model include: (a) a stable political climate through the continuity in ruling elite or party; (b) a Confucian political culture which stressed on a high degree of respect for hierarchy and order; (c) a heavy investment in education and (d) export-oriented industrial policies (Hofheinz & Calder, 1982; Vogel, 1991; Woronoff, 1992). Indeed, it is not an exaggeration to conclude that Singapore's economic transformation is an unprecedented achievement in modern world history.

This article adds on to the historiography of Singapore's economic growth but approaches the theme from the debate created by *Why Nations Fail*. It argues that, despite more than a century of colonialism and the perceived extractive hand of the authoritarian ruling political party, Singapore's post-war economic miracle is the result of a combination of factors: the positive legacy of British colonialism, drawing useful lessons from its own key historical turning points and a geographically-advantageous location on the world map. The paper first touches on key issues of the Acemoglu and Robinson-

Sachs debate. It then argues that, unlike other European imperialists, the British attempted to create inclusive institutions through its collaborative form of colonialism which were continued by Singapore's post-war political leaders.

### **The Acemoglu and Robinson-Sachs Debate**

In *Why Nations Fail*, Acemoglu and Robinson contend that political inclusiveness and the distribution of political power within a society are the key elements that will determine the success or the failure of nations. Inclusive political institutions are pluralistic systems that protect individual rights. They, in turn, give rise to inclusive economic institutions which secure private property and encourage entrepreneurship. Conversely, extractive political institutions which place power in the hands of a small elite stifle innovation and hence promote underdevelopment and poverty. In brief, Acemoglu and Robinson theorise the origin of power, prosperity and poverty in the nations of the world today lies in the existence of political institutions: "The growth generated by extractive institutions is very different in nature from growth created under inclusive institutions. By their very nature extractive institutions do not foster creative destruction and generate at best only a limited amount of technological progress. The growth they engender lasts thus for only so long" (2013, p. 150). Extractive political institutions served to benefit the ruling elites and their persistent presence is the cause of nations – in particular former colonies of European powers - that were poor in their historical past and are still considered poor today. Using the development differences of North and South Nogales and North Korea and South Korea as explicit examples, Acemoglu and Robinson also dismiss the role of geography (including the environment and the presence of natural

resources) in economic development (2012, p. 50). They also disregard the cultural hypothesis as valid explanation for differences in the wealth of nations: “There are of course differences in beliefs, cultural attitudes, and values between the United States and Latin America... these differences are a consequence of two places’ different institutions and institutional histories” (2012, p. 63).

As to how nations evolved over time, that is, whether they would develop extractive or inclusive institutions, would depend on what Acemoglu and Robinson termed as the critical junctures of history that exploited the initial small institutional differences and led to diverging development paths of nations. In their own words: “History is the key, since it is historical processes that, via institutional drift, create the differences that may become consequential during critical junctures. Critical junctures themselves are historical turning points. And the vicious and virtuous circles imply that we have to study history to understand the nature of institutional differences that have been historically structured” (2012, p. 432). However, the Acemoglu and Robinson admit that growth can be achieved within a set of extractive political institutions. The elites can simply re-allocate resources into temporary highly productive activities under their control (e.g. from agriculture to industry). But the problem is that this growth is unsustainable in the long run. When the economy runs out of steam, so will rapid growth and the country will first be exposed to an economic and ultimately to a political crisis. The example of the rapid growth of Soviet Russia illustrates this point. It was not driven by innovation, but Communist state control and when the foundations for growth were exhausted, nothing came to replace it. The economists predict the same happening to Communist China (2012, p. 442). For countries to succeed in their

economic development, innovation is critical and inclusive economic institutions are the keys to innovation. Inclusive economic institutions secure private property, encourage entrepreneurship and, in the long-term, produced sustainable growth.

As a response to *Why Nations Fail*, Jeffrey Sachs argues that such mono-causal explanation is too simplistic and takes no account of a host of other crucial factors : geographical, technological and cultural (Sachs, 2012). A plausible explanation for the general poverty of sub-Saharan nations, for example, is geography. The region has low population densities before the 20<sup>th</sup> century, high prevalence of disease, lack of navigable rivers for transportation, scarce rainfall, and shortage of coal to take advantage of the age of steamships (2012, p. 145). However, Sachs also recognizes that Africa today “is overcoming these problems one by one, thanks to new energy discoveries, long-awaited agricultural advances, breakthroughs in public health, and greatly improved information, communications, and transportation technologies” (2012, p. 149). In the case of the desert state of Botswana, the nation is endowed with the Jwaneng diamond mine, regarded by many as the richest diamond mine in the world and has one of the highest per capita incomes in Africa. To Sachs, the major flaw in Acemoglu and Robinson’s *Why Nation Fail* is that their theory “does not accurately explain why certain countries have experienced growth while others have not and cannot reliably predict which economies will expand and which will stagnate in the future” (2012, p. 143). In short, today’s economic growth and development of nations is driven by a complexity of factors which dynamically interact to produce or hinder inclusive growth that benefit the society as a whole.

### **Inclusive Institutions through**

### **Collaborative Colonialism**

When the island of Singapore was legally ceded to the British in February 1824, England was experiencing the excitement generated by inventions of the Industrial Revolution. The prowess of the steam engine was already in full application. However, to facilitate the development of many inventions, Acemoglu and Robinson maintain something else first needs to take place – the development of appropriate type of political institution. They argue that creative destruction and technological innovation made people richer and this led to a new distribution of wealth, and more importantly new distribution of power in the society. The elite minority, afraid of losing their privileges, opposed this process. They felt threatened and formed barriers to innovation. Acemoglu and Robinson term this process of repression as the dominant type of social order as “vicious cycles of prosperity”. But in England, through political conflict, the rising wealth of merchants and manufactures was able to overcome this opposition and constrain the power of the sovereign, initiating the beginning of a new historical era – a “virtuous cycle of prosperity” is seen to be taking place. As maintain by Acemoglu and Robinson, inclusive political institutions are irreversible and, in England, they soon replaced the feudalistic structure. This is precisely why the Industrial Revolution started in England, not anywhere else in the World.

The colonisation *modus operandi* of the English was the same as of the Spaniards and the Portuguese – extract the resources of the land and force the indigenous population to work for the colonial elite, which would, along with the Crown, obtain maximum benefits from it. They were largely successful in India and Africa.

However, the British also attempted to collaborate with the indigenous groups, such as the ruling elites, landlords and merchants as mediators between Europe and the local political and economic system. While it has been argued that the collaborative mechanism allowed the British to rule a large empire with small troops, control was also achieved through the imposition of direct rule, usually pressed on by some critical events. In India, the Indian Mutiny of 1857 was a watershed moment for British rule in India. From then on, India was under the direct control of the British government in a system of governors and viceroys, popularly referred to as the “British Raj”. In Malaya, the transfer of administration to London in 1867 led to the appointment of the British Residents. Control was further hastened with the murder of Perak’s Resident, James Birch in 1875. And, intentionally or unintentionally, collaborative colonialism also prepared Britain’s colonies for independence when strong forces of nationalism were making decolonisation inevitable, as seen in Malaya and Singapore post-1945. The system had developed local capacities for self-rule.

Unlike many of the African nations during the rapid colonisation of the continent by European powers in 19<sup>th</sup> century, when the Union Jack was hoisted on the island of Singapore, there was no war of subjugation of a hostile indigenous population. There were only about 1,000 inhabitants living along the shore-line close to the river mouth. Also, by the mid-19<sup>th</sup> century, it was ascertained that the island was devoid of any natural resources and the soil was too poor to develop any form of extensive agricultural activities. The so-called settlement in 1819 was really nothing more than a sparsely populated fishing village similar to settlers starting a frontier town in the history of American’s westward expansion. Nevertheless, within a few months of its founding, people

started arriving in droves and they built their homes rather haphazardly in the areas near to the Singapore River. Interestingly, the foundation of a British settlement in Singapore reflects somewhat similar circumstances surrounding the settlement of Jamestown, Virginia and the convict colony of Sydney, New South Wales – both of which were used by Acemoglu and Robinson to explain the development of inclusive institutions in Britain’s “neo-Europe” colonies: “In both cases the initial circumstances did not allow for the creation of extractive institutions. Neither colony had dense populations of indigenous peoples to exploit, ready access to precious metals such as gold or silver, or soil and crops that would make slave plantations economically viable” (Acemoglu & Robinson, 2012, pp. 281-282).

The influx of immigrants and the rapid expansion of trading activities into Singapore (and Malaya) forced the hands of the British to adopt a collaborative approach. British officials who planned and administered colonial cities like Singapore had to do so within the overall framework of colonialism. On the one hand, they represented a conquering civilisation which obtained its power from technological innovations and had the desire to proselytise their ingenuity among the “backward races” of the Empire. On the other hand, British administrators were largely conservative and carried out their civilising mission with the aim of reshaping colonial economies in ways that would make them more compatible with the metropolitan economy. Unlike the centrally planned economy of the Dutch East Indies marked by introduction of the extractive Culture System in 1830, British officials in London were not a vigorous force behind British economic expansion in Asia (Davenport-Hines & Jones, 1989, p. 24). Similarly, British colonial officials did not engage in the

actual conduct of productive and commercial enterprises (1989, p. 24). For all their rhetoric about civilizing the “backward” peoples of the Orient, the British colonial administrators were generally “reluctant spenders, ever fearful that tampering with native laws, faiths, or learned traditions might undermine their fragile authority over large and often turbulent subject populations” (Bayly, 1999, p. 450).

Singapore was administered as part of the Straits Settlements (consisting of Malacca, Penang and Singapore) under the direct control of the British East India Company until 1850. As making profit was their main priority, the directors were not interested in expensive wars or spending excessively on administration. As such, the Company co-opted the mercantile community to “share” the burden of developing and maintaining the Singapore settlement. In any case, because of the early predominance of trading concerns, the Europeans in Singapore were quick to impose their collective interest on the authority. In February 1837, in response to a proposal by the English businessman Edward Boustead, the Singapore Chamber of Commerce was established. As reported in the *Singapore Free Press* on 2 February 1837, it was set up “for the purpose of watching over the commercial interests of the Settlement” and that “all merchants, agents, ship-owners and other interested in the trade of the place” were eligible for membership. In its early years the Chamber of Commerce agitated specifically on commercial matters, such as the suggestion to impose port dues in 1837 and for an improvement in steamship communication in 1845. Gradually, it began to assume a more political role but internal dissension and commercial rivalry between its members prevented the Chamber from achieving any success (Turnbull, 1972, pp. 137-138). With the extinction of the East

India Company in 1858, the administration of the Straits Settlements was passed on to the Indian Office. Subsequently, on 1 April 1867, Singapore became a Crown Colony and administered directly by the London Colonial Office.

It needs to be stressed that, despite the presence of the European commercial class which dominated the colonial economy, they formed only part of a dynamic business community. In particular, Chinese merchants and those from the trading ports in Asia played a critical role in Singapore's growth as a regional trading centre, where exchanges between the local suppliers of raw materials and the manufacturers in Europe took place. Local merchants, however, were not able to rival the European counterparts because of two reasons. First, in an international trade where Britain and other Western countries supplied the manufactured goods and Southeast Asia essentially provided the raw materials and minerals, the European merchants were regarded as the key linkage of this exchange because they controlled the import and export sector through their agency houses. Second, the Europeans were capable of transferring needed capital for their commercial activity and skills for the extractive industries (Lee, 1978, p. 6). The British agency houses and firms linked "together the agricultural and mining activities of the mainland (Malaya) with the commerce of Singapore, the technical expertise of the Midlands and North Britain and the finance of London" (Allen & Donnithorne, 1957, p. 52). While the colonial administration and the European agency houses did not actively pursue a policy of importing industrial technology, technology transfer in the form of institutional knowledge and skills did contribute to the strengthening of Singapore's entrepôt economy. The dynamics of the interlocking trading network between British firms and Chinese

compradors allowed many learning situations where new knowledge and skills were transferred to the locals.

Ironically, the sparseness of the population in the early decades of the 19th century could be seen as a favorable element for growth because one of the easiest ways to encourage the first steps in economic development is to facilitate the spread of population into lands which have hitherto been more or less unoccupied. The influx of Chinese immigrants into the British colony, especially towards the end of the 19th century, created the human resource that would eventually produce a cosmopolitan society. Although Singapore was an administrative centre of British rule in the Malay Peninsula, the island itself had hardly any natural resources for the British imperial merchants and administrators to exploit. Even rubber and tin, boosted by the transfer of science and modern machinery by British firms, were largely processed and mined in colonial Malaya. If anything, what was "exploited" was the willingness and work ethics of the Chinese – as middlemen par excellence and general workers – to develop a collaborative, trading network with their Western counterparts. Unlike the Indian cotton and shipbuilding industry, there was no displacement of existing cottage industries by the more advanced technological culture. Those who came had one main objective, that is, to carve out a niche and a piece of the economic pie. There was no serious clash of interest and no cause of tension between the merchant imperialists and the Asian merchants and the population at large. In his last dispatches as the Governor to the Colonial Office in 1873, the unpopular but hardworking Henry Ord admitted: "The mercantile community which constitutes the society of the place takes hardly any interest in anything beyond their own immediate business. Many of them openly avow that they come here solely to make money" (Turnbull, 1989, p.

52). It was also a win-win situation for the colonial government because without this collaboration between the ruling British elites and local leaders and businessmen, the administration would have proven much more difficult and costly for the imperial government. It was this inclusive economic arrangement that allowed the island to mature into a commercial emporium – a staple colonial entrepôt for the Malaya hinterland – and lubricated by its free-trade policy, endowed by its strategic location and sustained by Western technological systems.

By the end of the 19th century, inclusive economic institutions in Singapore were firmly in place under the British rule. When the handful of British settlers first arrived in the largely unpopulated island, the economic principle they promulgated was one of free trade and *laissez faire* policy that would promote trade. British merchants and entrepreneurs set out to nurture the growth of a trading culture, largely developed through the institution of the entrepôt trade and a commercial system based on free trade. Within this concept of free trade, colonial Singapore was fitted into the international trading system. The strength of Singapore's entrepôt system laid in the entrenched trading structure of a network of Western managing agency-houses and Chinese merchant compradors. These were economic institutions designed to facilitate and increase trade.

Finally, as emphasized by Acemoglu and Robinson, the rule of law and security of private property are significant features of inclusive political institutions. They were the intangible and lasting legacy of British colonialism being bequeathed to Singapore. Together with these institutional concepts the ideal of good, uncorrupted government, supported by an efficient bureaucratic civil service system was also planted in the ruling government of colonial Singapore.

Although the top level administration was in the hands of a small group of British expatriates and the functions of the Straits Civil Service (created in 1934) was carried out mainly by Europeans, the overriding working philosophy was to “hold aloft the banner of justice, truth and right-dealing” (Kratoska, 1983, p. 77). According to the *Straits Times*, dated 24 July 1935, colonial rule produced the “humblest civil servant [who] is not amenable to a bribe [and this] is one of the securities for our good government of these people in the future”. This lasting legacy has become a sacrosanct practice for all civil servants in Singapore today. The basic tenet was, of course, the preservation of British power and prestige. In this sense, the string of imperial administrators helming the colonial office in Singapore (and Malaya) was successful in their mission. Till the conquest by imperial Japan in February 1942, Singapore, in the words of the late Mary Turnbull, “enjoyed unbroken peace with orderly administration, and her steady expansion and prosperity were checked only temporarily by periodic international economic depressions” (Turnbull, 1989, p. 76).

### **The Geopolitical Critical Junctures 1942 – 1965**

In *Why Nations Fail?* Acemoglu and Robinson reiterate the importance of looking into a nation's history in order to understand existing institutional differences among societies and hence, why a nation is rich or poor today. According to them, “major institutional change, the requisite for major economic change, takes place as a result of the interaction between existing institutions and critical junctures [and] critical junctures are major events that disrupt the existing and economic balance in one or many societies...” (Acemoglu & Robinson, 2012, p. 431). The three year or so period from January 1942 to September 1945

during which Singapore became the colony of the Japanese Imperial empire, is considered as one of the many critical junctures in Singapore's modern history before it gained independence in August 1965. The period of Japanese colonialism supports Acemoglu and Robinson's argument that extractive institutions created poverty and economic dislocations.

Singapore's geographical position motivated the Japanese to use it mainly as an administrative and a "rest and relax" centre. It was governed by autocratic military personnel and supported by the dreaded *Kempeitai*, the military police intelligence. The economy of Singapore was shattered during the period of Japanese rule. Its infrastructure was already badly damaged when the British, while retreating from Malaya, destroyed bridges, machinery and motor workshops, oil depots, railway lines, and other public installations. The island's entrepôt trade and Malaya's export of raw materials like tin and rubber were severely disrupted as Japanese rule cut off the main European markets. Japanese *zaibatsu* took over and extracted most of the economic assets of the British, American and Dutch. The local Chinese, too, lost most of their business concerns. Those suspected of loyalty to the Chungking Government in China had their properties confiscated. In short, the Japanese conquest of Singapore was one where political and economic institutions were highly extractive, operating within a vicious cycle of prosperity for the benefits of Tokyo.

It is generally said that in Southeast Asia, the Pacific War brought an end to colonialism and opened the way to a new era of political and economic nationalism. When the British re-occupied Singapore and Malaya in September 1945, they found, as they had seen in Burma, a land devastated by the Japanese. More importantly, they realised that, in their absence, an indigenous

nationalism, previously unheard of, had surfaced. The British now proposed new administrative institutions for Malaya. Singapore was governed as a separate Crown Colony with effect from 1 April 1946. This breakaway from the rest of Malaya, including Penang and Malacca, reflected the desire of the British to keep the island as a viable commercial and military base. However, Singapore during the 1950s and 1960s was far from quiescent. There was widespread opposition to the presence of the British. The situation was well expressed in the words of a former politician: (Fong, 1979, p. 9).

The defeat of the British colonial power at the hands of the Japanese in the Malayan campaign, followed by three years and eight months of Japanese Occupation of Singapore left no doubt that the British were not invincible. Their interests in Singapore were pegged to serve the wider interests of the British Empire. It was a lesson to Singaporeans that Singapore would be abandoned by her colonial master if they thought it expedient to do so

There were also frequent industrial strikes and unrest which forced the closure of many British firms and, subsequently, an exodus of British capital out of Singapore. The aftermath of the war had created severe social and economic dislocations for the people of Singapore. The population grew from about 960,000 in 1948 to about 1.6 million in 1954. There was high unemployment and an acute shortage of public housing. Many squatter colonies sprouted out throughout the suburban and rural areas. In the 1950s racial integration did not exist and within the plural society the main ethnic groups considered themselves as Chinese, Malays and Indians, rather than as Singaporeans. Religious differences, if exploited, could also lead to

communal trouble. This was clearly shown in the famous Maria Hertogh riots which took place from 11 to 13 December 1950.

The British colonial policies relating to education, language and citizenship were responsible for stifling the growth of racial integration and the sharing of a common destiny and identity by the people of Singapore. Such divisive colonial policies were standard features of British race management throughout the British Empire. In Singapore and indeed in the Empire at large, they continued after the end of the World War in 1945. In education, for example, the government did not attempt to regulate and support the number of Chinese schools and, at the same time, encourage the growth of English-stream school. The Chinese-educated became an under-privileged group; they had no opportunities for tertiary education nor could they hope to be employed in the civil service. In short, the government failed to recognise the more dynamic and vocal Chinese-educated group. These "gaps" were quickly exploited by the Malayan Communist Party in Singapore. In the 1950s, frequent clashes and demonstrations against the government were held by Communist-infiltrated trade unions and Chinese schools. The British soon decided that the best political weapon against the Communist insurgency would be to grant national independence to Singapore. This would deprive the Communists of their role as champions of anti-freedom movements and hence, the justification for insurrection against the government. Therefore, the stage was set for the first democratic election of a self-governing Singapore in May 1959. The People's Action Party (PAP), under the leadership of Lee Kuan Yew, won convincingly. Lee became the first Prime Minister and, at the same time, the state flag and national anthem "*Majulah Singapura*" were inaugurated. About four years later, in September 1963, Singapore became part of

Malaysia. But political differences soon reached an intolerable level. On August 9, 1965, under the leadership of Lee Kuan Yew, the island of Singapore was formally separated from Malaysia and became a sovereign, democratic and independent city-state. Thereafter, Singapore commenced its struggle to survive on its own and to develop a national identity and national consciousness in a disparate population of immigrants.

Singapore's turbulent political history in the 1960s was equally matched with the occurrence of several economic crises which exposed the vulnerability of the small nation totally dependent on her historical entrepôt status. The first event was known as the "Indonesian Confrontation". Singapore's participation in the formative years of Malaysia had alienated herself from her important traditional trading neighbour, Indonesia. The trade boycott by Indonesia during the years 1963 to 1965 severely damaged Singapore's entrepôt trade and the "whole economy almost grounded to a halt at a growth rate of 0.6 per cent in 1964" (Lim, 1971, p. 38). Besides the severance of trade, Indonesian saboteurs infiltrated into Singapore and exploded a number of bombs. The sudden and forceful separation from Malaysia in 1965 was another critical juncture which created great anxiety. Singapore as Malaysia's traditional entrepôt port was largely bypassed when the latter used her own ports and traded directly with other nations. Furthermore, Malaysia's started her own import substitution industrialisation policy and this meant the erection of high tariffs which effectively shut Singapore off from her traditional hinterland (1971, p. 38). Finally, the 1960s ended with the untimely and shocking announcement by Britain in January 1968 of her intention to accelerate the withdrawal of her forces from Singapore and the Far East by 1971. British military expenditure had accounted for an average of about 25 per

cent of the gross domestic product in 1960s and the bases, at the end of 1969, employed about 21,000 Singapore citizens (Turnbull, 1989, p. 305).

The trauma of the 1960s convinced Lee Kuan Yew and his political colleagues that two immediate priorities must be met without delay if the small nation were to survive. To compete as a viable economic entity, the first task was to break away from the long dependency on *entrepôt* trade and embark on an export-oriented industrialization (EOI) strategy. The second urgent task was to create its own military capability. The passing of the National Service Act of 1967 marked the beginning of a concerted effort at maintaining a large defence force and, at the same time, to engender a sense of national loyalty amongst the younger citizens.<sup>1</sup> How should the newly independent nation be governed? A voluminous literature has been done on the way Singapore was (and is) governed. Some have branded the political control practiced by the ruling party as authoritarian. Some called it socialistic, socialist-democratic, paternalistic or quasi-democratic. What is certain is that the Singapore society was socially engineered to be resilient and pragmatic.

By the late 1960s, the PAP had tightened its political rein and thus ensured a stable political climate so eagerly sought after by foreign investors in developing countries. Most important, however, as stated by Lee Kuan Yew in a National Day speech made on 8 August 1968,

....are the changed attitudes, and the positive outlook of our people. Singapore used to be a conglomeration of migrants, each man for himself. If he cared for anybody else at all, it was his own immediate family. Singaporeans now, particularly those born and educated here, are aware that personal

survival is not enough. What we have can be preserved only if we together defend the integrity of our country and secure the interests of the whole community...They are a different breed, self-reliant, bouncing with confidence, eager to learn, willing to work.

The twists and turns of several key turning points in Singapore's history convinced the political leaders of the importance of generating economic growth and creating, in the words of Lee Kuan Yew, "a fair, not welfare, society" driven by "personal motivation and personal rewards"(Lee, 2000, p. 116). Sustained economic growth and an inclusive, consensus-building society with an excellent education system became the accepted survival formula through the decades. This is aligned to Sach's argument that authoritarian leadership (considered as an extractive political institution), such as in South Korea and Taiwan, could also strengthen the state and develop the economy and that successful economic reforms which created opportunities for wealth accumulation for all could lead to a move towards inclusive political institutions and not, according to the Acemoglu and Robinson hypothesis, that political reform precedes economic growth (Sachs, 2012, p. 146). The government and people were all geared up to catch up with the rest of the world.

### **Catch-Up and Innovation-led Growth**

One of the central themes of the Acemoglu and Robinson's model of economic development of nations is technological innovation and technological diffusion. Innovation is the key to economic growth and they argue that only the existence of inclusive political institutions will create the environment for innovation to take place (Acemoglu & Robinson, 2012,

p. 77). However, as pointed out by Sachs, there was hardly any mention of the process of technological diffusion. Taking as a whole, the innovation-diffusion process is a useful explanation for the phenomenal rise of Japan and the so-called Asian “tiger” economies of South Korea, Taiwan, Hong Kong and Singapore.

While under British rule, technological systems, such as modern sewerage sanitation, electrification and health amenities were introduced into the trading port, dependent colonies throughout the British Empire, however, were not encouraged to produce goods which could compete against imports coming directly from the industrial heartlands of Britain (Headrick, 1988). There was very limited transfer of industrial technology into the port-city (Goh, 2013). In 1965, Singapore was still highly dependent on its entrepôt trade. Recognising that industrialization was the only way to ensure the survival of the small nation, Lee Kuan Yew and his colleagues looked to Japan. In his own words: “We needed them [the Japanese] to help us industrialise” (Lee, 2000, p. 563). Local politics played a role, as Acemoglu and Robinson rightly argue, in that despotic or unstable government could cripple development. Although Lee Kuan Yew and his government introduced a slew of policies (some perceived to be draconic and undemocratic) to socially-engineered the Singapore society, he wasted no time in creating and preserving political stability in order to attract foreign investment.

Singapore’s strategy to close the technological gap can be seen as an off-shoot of its export-orientation industrialisation (EOI) strategy implemented by the Economic Development Board (EDB) since the 1970s. The EOI strategy was founded on the attraction of foreign investments in order to create jobs for the masses in the

manufacturing sector. It had allowed Singapore to move into areas of production and standardized technologies that were no longer economically viable in the industrialised countries. As full-employment was reached in the 1970s, and as labour market tightened, EDB shifted its emphasis to capital-intensive manufacturing of higher-value products. This economic restructuring policy was successful in creating a manufacturing sector that boasted many prominent foreign multinationals (MNCs), producing high value-added products ranging from precision tools to pharmaceuticals.

To leapfrog technologically, the Singapore model depends on technology transfers by the MNCs, especially those who are themselves technological leaders in their own respective fields. MNCs were urged to transmit technology and skills through their in-house and joint-venture or licensing agreement with local manufacturers. Inducing advanced technology by encouraging foreign investment had some definite advantages. It was possible to obtain, at one and at the same time, both the know-how and the capital. By doing so, MNCs could provide exposure in the latest technologies to local managers and workers. This would help in upgrading the country’s technical competence. This traditional pathway in technological leapfrogging was then seen as the most effective way in order for a trading country like Singapore to close the technological gap. The earlier stages of industrial catch-up were made easier because of the large pool of technology that was already existed. As the economy absorbed the backlog, however, further transfers of technology were made more difficult. A Research and Development (R&D) policy within a larger Science and Technology (S&T) framework was now actively promoted, starting in the early 1980s and into 1990s. This R&D work is

carried out in several government-funded by research institutes, manned by prominent names in the world of science, technology and medicine. Since the start of the new millennium, S&T strategies and directions have shifted towards achieving technological innovations and promoting the spirit of technological creativity, particularly in local small and medium enterprises and start-ups.

Sachs was right when he pointed out that while many developing countries have “an easy time adopting technologies that have already been developed elsewhere”, few are capable of creating indigenous innovations (Sachs, 2012, p. 144). Singapore is currently attempting to shift towards innovation-led growth but still has some way to go. This is due to a complexity of factors, such as the lack of a critical mass of indigenous scientists and research engineers, the weak university-industry linkage, the lack of entrepreneurs and personnel who are able to complete the tedious transaction of the invention-innovation-commercialisation cycle of product development, lack of a culture in reverse engineering and the continual attractions of a lucrative service-brokerage sector that lures not only young university but also science and engineering graduates. And to many businessmen, innovation simply means purchasing the latest machinery since up-to-date technologies are embodied in the machinery and to enhance productivity or improve quality, manufacturers simply had to replace older ones with the more recent models.

### **Impact of Geography**

In *Revenge of Geography*, Robert Kaplan (2013) illustrates how climates, topographies and spatial proximities of lands shaped the economic and geopolitical destinies of nations. China, for example, “is blessed by geography is something so basic and obvious that it

tends to be overlooked in all the discussions about its economic dynamism and national assertiveness over recent decades [and] has built advantageous power relationships both in contiguous territories and in distant locales rich in the very resources to fuel its growth” (2013, pp. 189 & 199). We have seen how the idea and practices of inclusive political and economic institutions were developed in the colony of Singapore. By the end of the 19<sup>th</sup> century, Singapore was a prosperous port in the periphery of the British Empire. In line with Jeffrey Sachs’ argument that political institutions alone cannot explain the existence of rich and poor nations in the world, it is also argued here that, in the case of Singapore, geography plays a significant role in explaining its economic success. Indeed, it is the *root* advantageous factor of Singapore’s economic success. The importance of Singapore’s geographical location at the crossroad of trade routes in Southeast Asia and at the heart of the Malaysia-Indonesia Archipelago is often cited by scholars researching into its economic history as significant factor for the colony’s meteoric rise in the 19<sup>th</sup> century. It was geography that influenced Stamford Raffles to land on the island in January 1819. Also, it was due to geography in the form of a sheltered deep-water harbor at the southern end of the island that was transformed and eventually became the famous port of call for the world’s shipping lines. This coastal site offered deep water berthing and better servicing facilities for larger vessels. In Southeast Asia, Singapore was the beacon of British economic and political power. The island was regarded as the centre of “the Golden Chersonese”, described by the former governor Frederick Weld, as “a circle drawn round Singapore with a radius of 3,000 miles, [which] is believed to contain more than half the population of the globe, and Her Majesty’s possessions within this range are stated to have a sea-

going trade of 251,000,000 pound sterling, against 86,000,000 pound sterling in all other British dependencies” (Kratoska, 1983, p. 49). The port was Britain’s key port of calls for stores and repairs of its imperial naval and commercial fleet. More significantly, Singapore sustained the Empire’s trade along the main oceanic routes by operating as its major coaling station in the East. Here, it was possible for steamers to be supplied with Australian, Indian, Japanese or Welsh coal. The transformation of the port is one of the most significant and lasting legacies imparted to Singapore.

Writing in 1987, Philippe Regnier’s explanation of the island’s rise to economic eminence centres on its strategic geographical position which enables her to tap on the regional trade (Regnier, 1987). The city-state also developed a strong “middleman” or comprador role in the region. Today, after nearly 200 years, the strategic location of Singapore is still seen by international investors and multinationals as a “pull” factor to set up their regional headquarters in the city-state. Historically, the strategic location of the island attracted a constant inflow of people from Asia, particularly from southern China and India. It was the centre of the Chinese diaspora to Nanyang or “Southern Seas”. These were the pioneering builders of the Singapore of today. Today, this historical role of Singapore is still actively re-enacted with the migration of international talents from all over the world. In addition, Singapore’s traditional comprador role is still as strong as ever and provides the gateway for many Singaporeans to gain wealth. Singapore’s port is still enjoying its historical status as one of the busiest ports in the world – thanks to the island’s topography.

In conclusion, the Acemoglu and Robinson-Sachs debate on the drivers of

economic development in nations has provided a platform to reflect on why the city-state, devoid of natural resources, was able to be ranked amongst the developed nations in the world today. As maintained by Sachs, it is too simplistic to suggest that Singapore’s political institution is the reason for its “First World” status. After all, the perceptions that the Singapore Government is autocratic, extractive, dynastic and elitist are not uncommon. Singapore’s economic transformation is the result of a combination of state-led policies that affected all facets of the Singapore’s society – politically, economically, culturally and technologically. Hence, Singapore’s economic success debunks the growth thesis expounded in *Why Nations Fail* and proves the notion that nations with seemingly extractive political institutions are still capable of producing exhilarating economic growth and that former colonies of imperial powers are “losers” in their search for sustainable economic development. As in the case of Singapore, what is needed is the unwavering desire of the ruling elites to ensure a good life for the people and a strong political will to do so - a will that transcends generation of political leaders.

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<sup>i</sup> It is of no coincidence that Singapore's obsession with her own security resulted in an intensive and continual upgrading of the defence force through direct purchase of advanced weaponry and through indigenous research and development in military technology.