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The Beijing Consensus and Possible Lessons from the “Singapore Model”?

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Abstract

This paper suggests that there is very little substance to the so-called Beijing Consensus. Instead, China's political system is simply the consequence of the communist triumph over the Kuomintang, and her economic approach the reversal of the disastrous policies of the Mao period coupled with lessons learnt from the economic development of other Asian economies including Singapore. As Singapore is often touted as a model for China, this paper sets out an important but often underappreciated element that underpins Singapore's success, namely its democratic system of government. It suggests that this may be the most important lesson that China can learn from Singapore.

Keywords: Washington Consensus, Beijing Consensus, Singapore, economic development, democracy, corruption, state-owned enterprises, political liberalization

Introduction

China's model of development, often referred to as the 'Beijing Consensus', involves a high degree of control for the state. Such control goes beyond economic planning and includes state-owned enterprises (SOEs) that are active participants in many sectors of the economy from manufacturing to services. The Beijing Consensus is often contrasted with the Washington Consensus which involved a set of 10 policies that the US government and Washington-based international financial institutions – the World Bank and International Monetary Fund (IMF) – believed were necessary elements that developing countries should adopt to increase economic growth. The Washington Consensus at its essence placed emphasis on the importance of macroeconomic stability and liberalisation of the economy including reducing the role of the state. As the originator of the term, Williamson (1990), put it, the policies “may be summarized as prudent macroeconomic policies, outward orientation, and free-market capitalism.” It reflected a “neoliberal” set of economic reform policies as the term “neoliberalism” – which is used in a number of ways – is most commonly understood today. Scholars using the term in this manner typically characterize three sets of policies as being neoliberal: those that liberalize the economy, by eliminating price controls, deregulating capital markets, and lowering trade barriers; those that reduce the role of the state in the economy, most notably via privatization of state-owned enterprises; and those that contribute to fiscal austerity and macroeconomic stabilization, including tight control of the money supply, elimination of budget deficits, and curtailment of government subsidies.¹

However, even before the Beijing Consensus was coined as a term, the universality of the Washington Consensus, which was largely formulated in the context of economic problems in Latin America, was doubted. Part of the reason for this was that the recipe it prescribed led to economic chaos in some ex-Communist countries such as Russia. Another major reason was that it did not fit the development experience of some East Asian economies including Singapore. Although Singapore is not a communist or socialist country, at an early stage of her post-independence history Singapore embraced state capitalism and actively promoted the incorporation of companies – often referred to as government-linked companies or “GLCs” – to engage in various sectors of the economy. This was part of a two-pronged approach to achieve industrialisation² and GLCs continue to play an important role in Singapore's economy. According to a study that used 2008 – 2013 market capitalisation data, GLCs accounted for an average of 37% of the stock market value of S\$500 billion on the Singapore Exchange.³

More importantly, Singapore's use of GLCs is generally accounted a success. Capital markets appear to value GLCs more highly than non-GLCs.⁴ Interestingly, GLCs on the whole managed their expenses better than non-GLC companies. This lower expense-to-sales ratio among GLCs indicated that GLCs were more profitable because they ran leaner operations,⁵ differentiating themselves from the generally inefficient nationalized firm run by

¹ Boas & Gans-Morse (2009).

² The other was to encourage multinational corporations to establish manufacturing facilities in Singapore.

³ Sim, Thomsen and Yeong (2014, p. 22).

⁴ Ramirez & Tan (2003); Ang & Ding (2006, pp. 85-86).

⁵ Ang & Ding (2006, p. 80).

governments. It is therefore not surprising that suggestions have been made that Singapore's GLCs may provide a good model for reforming China's SOE Model.⁶ In fact, it was reported recently that the Chinese government is initiating a reform of China's SOEs, and insiders expect that by the year 2020 about 30 SOEs will follow the model of Temasek Holdings (the state investment and holding company that holds the shares owned by the Singapore government in GLCs) to manage capital rather than manage assets.⁷ This is yet another instance where China has attempted to draw lessons from Singapore as best exemplified by the statement made by the former paramount leader of China, Deng Xiaoping, in 1992 to "learn from Singapore" during his famous tour of the southern provinces.

This paper seeks to explore what lessons the Singapore experience might hold that could be relevant to China's development, particularly in China's reform of her SOEs. The rest of the paper is divided into four parts followed by a conclusion. In the first part it will briefly discuss the Washington Consensus and why it was not an attractive model for China. In Part II the paper explores the elements that supposedly constitute the Beijing Consensus and why they are either non-existent or not unique. Furthermore, there are aspects of the Beijing Consensus that can be explained by path dependency. Part III discusses Singapore's economic development particularly in the context of her social and political circumstances at the time of self-government and eventually full independence, and in Part IV the paper suggests what aspects of the Singapore experience could be relevant to China.

I The Washington Consensus

It is not within the scope of this paper to discuss the Washington Consensus in detail which is covered more fully in some of the other papers in this volume but it may perhaps be remarked that the Consensus reflects the constant process of rebalancing that takes place in complex societies. It was a reaction to the economic statism that dominated development economics in many developing countries for much of the post-war, post-colonial period and developed initially as a reaction to the Latin American debt crisis in the early 1980s and appropriately so at the time.⁸ While many of its policies are relatively uncontroversial – Williamson (2002) has said that for the most part "they are motherhood and apple pie" – the overall concept has proved controversial.

Some of the reasons for this include the term itself which seemed to signify an American hegemony imposed reluctantly on countries that made their conditions worse.⁹ Contrast is sometimes made of the Indonesian and Malaysian experiences during the 1997-1998 Asian Financial Crisis where Malaysia (which did not accept the IMF's advice) appeared to weather the crisis better¹⁰ than Indonesia¹¹ (which did). A criticism is that the policies of the Washington Consensus have been elevated to the level of dogma by institutions such as

⁶ For example, Lin & Milhaupt (2013, pp. 754-755); Economist (2013); Gilson & Milhaupt (2008); Tan & Wang (2007).

⁷ Want China Times (2014).

⁸ Williamson (1990b); Williamson (2010).

⁹ Williamson (2002) acknowledged that the phrase "Washington Consensus" is a damaged brand name.

¹⁰ Kaplan & Rodrik (2001).

¹¹ For an assessment that the IMF did not offer the best advice to Indonesia, see Grenville, Stephen (2004).

the IMF¹² thereby constraining pragmatic solutions that may better fit the particular circumstances.¹³ On this view the policies of the IMF during the Asian Financial Crisis made things worse than they should have been. By tying aid to an increase in interest rates and austerity measures, the cash flow of firms was depressed and their fixed-payment obligations increased, tipping more and more into insolvency thereby accelerating the outflows and reducing the inflows.¹⁴

The phrase has also been associated – wrongly in Williamson’s view – with another version of neoliberalism that included supply side economics and a minimal state that reduced expenditure in social areas such as education and housing.¹⁵ Neoliberalism has also been blamed for an overreliance on market forces that led to the Global Financial Crisis of 2008¹⁶ and the response to it has hardly been consistent with aspects of the Washington Consensus given the vast amounts of public money that have been used to bail out financial institutions and to allow quantitative easing. Finally as Williamson (2002) acknowledged, the outcomes have been disappointing in the countries that have tried to implement the Washington Consensus. This may be linked to the earlier criticism about policy prescriptions that were based on dogma and ideology¹⁷ and which also therefore did not take into account the importance of other relevant factors for success such as politics, institutions, good public administration, and geography.¹⁸ Accordingly, the Washington Consensus itself has evolved¹⁹ while simultaneously being challenged by other developmental models – thus the search for equilibrium ever continues – such as the so-called East Asian model and the Beijing Consensus to which this paper now turns.

III The Beijing Consensus

The phrase “Beijing Consensus” was first coined by Joshua Cooper Ramo in 2004 as an alternative to the Washington Consensus for nations that were trying to see how best to develop their economies. It is said to consist of three theorems involving innovation; measures that focus on quality of life where sustainability and equality become first considerations; and self-determination. None of these theorems would appear to support a new approach to development that is distinctively Chinese. This is because the first two theorems do not appear to be borne out by China’s development experience²⁰ and the third

¹² Johnson (1998, p. 659).

¹³ It is widely acknowledged that the capital controls Malaysia imposed during the Asian Financial Crisis, contrary to the standard IMF advice, were effective.

¹⁴ Wade (1998, p. 700).

¹⁵ Williamson (2002).

¹⁶ Though this does not necessarily follow from the Washington Consensus.

¹⁷ Stiglitz (2002).

¹⁸ Ellman (2003).

¹⁹ Babb (2012).

²⁰ Much of China’s growth thus far has been to leverage on its large surplus and cheap labour pool which is fast diminishing. While China understands the importance of moving up the value chain and innovation will therefore be important, there is little to suggest that much progress has been made on this front. The massive adverse environmental consequences of China’s development, its rampant corruption, seizures of private property, and the hukou system that makes access to social services much more difficult for migrant workers from rural areas, are also hardly suggestive of a country that focuses on quality of life. See also Dowdle and Prado’s contribution to this volume where they rightly point out that at least some portion of China’s development has been the product of an earlier economic insanity that needlessly devastated China’s productive

is something all nation states strive to achieve. At best it can be said that China's size and growing international influence make it easier for China to achieve a higher degree of self-determination.

Underlying China's supposedly new development approach, Ramo speaks of pragmatism and flexibility, turning traditional ideas like privatisation and free trade on their heads, all with the goal of improving society through the use of economics and governance. However, even here it is difficult to see any Chinese exceptionalism unless one only viewed human affairs through a narrow temporal lens. The policies introduced in the wake of the Global Financial Crisis were highly pragmatic and flexible, bearing little in common with neoliberal economics of whatever stripe, and leading to the United States and Britain holding significant stakes in a number of financial institutions. And while China does advocate recognition of political and cultural differences as well as differences in regional and national practices within a common global framework, with a global order founded not upon homogenizing universalisms that inevitably lead to hegemonism, but on a simultaneous recognition of commonality and difference,²¹ this has not stopped China from being strongly assertive of its national interests as witnessed by its actions in the South China Sea. China's advocated approach also serves her position as the emerging rival of the United States in global affairs by providing a basis for other countries to distance themselves from American policies.

More importantly, even when the Washington Consensus might have been applied mechanistically by its adherents, it was never adopted by all countries. A particularly important group of economies did not abide by important aspects of the Washington Consensus. These were Japan, Korea, Singapore (which was the only one of these countries that relied heavily on SOEs in her economic development) and Taiwan where state intervention in the economy was significant and generally regarded as beneficial to their development. Indonesia, Malaysia and Thailand were in the next wave of Asian countries that experienced high growth and each also practised state intervention though perhaps to a lesser degree than the earlier set of countries. These countries were in turn followed by China and Vietnam and arguably China's development path can be seen as a continuum of what had first started in Asia several decades earlier in Japan. Thus to the extent that "state capitalism" and reliance on SOEs are aspects of the Beijing Consensus, this is not new phenomena and cannot be regarded as Chinese innovations in the state sector.

Furthermore, the approach of these Asian economies including China is also broadly consistent with Williamson's approach which he summarised as prudent macroeconomic policies, outward orientation, and free-market capitalism. Indeed, as the economies of Japan, Korea, Singapore and Taiwan developed, they have increasingly converged towards Williamson's Washington Consensus. Huang (2010) indeed argues it is the Washington Consensus explanation that in fact fits better with the Chinese growth experience as Chinese experiments with reforms have resulted in financial liberalisation and private entrepreneurship. China (and Singapore) undoubtedly still relies significantly on SOEs but her privatisation efforts have been notable and it is clear that China's reform of her SOEs

capacity for over two decades. Considering how disastrous Mao Zedong's policies were for China, almost any economic reform with a modicum of sense would have improved the state of her economy.

²¹ Dirlik (2009).

including further privatisation is ongoing. Again one has to be cautious of temporal judgments taken at particular moments in time. China has not adopted the rapid privatisation of the former East European Communist countries but given that such an approach has not been a great success,²² China's more cautious and pragmatic approach cannot be faulted.²³

The only really distinctive thing about China's development today is that it is taking place within a non-democratic political system though this should be expected given that China is a totalitarian state. It is a natural consequence of the Communist triumph over the Nationalists in 1949. Yet democracy was not one of Williamson's original 10 policies though it was undoubtedly formulated within the paradigm of a liberal democracy. However, to suggest that economic development can only effectively take place within a democratic-liberal capitalist system is to ignore history,²⁴ including the long history of China under imperial rulers. Furthermore, development within an illiberal democratic system is consistent with the developmental experiences of countries such as Singapore, Taiwan and Malaysia.²⁵

Accordingly, it is suggested that there is very little in the concept of a Beijing Consensus. Some Chinese themselves feel there is no such model²⁶ or are critical of views about a China model.²⁷ Instead the contrast that its proponents seek to evoke with the Washington Consensus is testimony to the presently enduring force of the Washington Consensus,²⁸ and is also deeply political especially where it implies a viable alternative to Western market democracy.²⁹ This distinction between authoritarian state capitalism and liberal market democracy is ultimately the essence of the debate between both "consensuses".

III The Historical Basis for Singapore's Economic Development³⁰

²² As Ellman (2003, p. 180) put it, the rapid privatization of inherited SOEs has been seen to be unimportant for economic growth in the transition economies of the former Eastern European communist countries.

²³ Indeed China's generally cautious approach to economic development as a whole has been influenced by the mixed results of the big bang approach to economic development adopted in the former Eastern European communist countries, particularly in the Russian experience.

²⁴ Chang (2003b).

²⁵ Singapore has been referred to as an "illiberal democracy" in that it is a democracy with a government that has (soft) authoritarian tendencies. See Hussin Mutalib, "Illiberal Democracy and the Future of Opposition in Singapore," *Third World Quarterly* 21, no.2 (2000). For this reason this chapter occasionally refers to Singapore as an authoritarian state without intending to imply that Singapore does not practice a democratic form of government.

²⁶ For example, the former World Bank Chief Economist, Justin Lin, has expressed the view that China does not follow a model but changes policy all the time, see <http://www.wsj.com/articles/SB120422296784800317>.

²⁷ Ferchen (2013, pp. 407-409).

²⁸ Babb (2013, p. 291) suggests that despite a more heterogeneous world, it seems likely that no transnational policy paradigm will replace the Washington Consensus in the near future.

²⁹ Ferchen (2013). As Kroncke points out in another chapter, the Beijing Consensus is an anti-model to the Washington Consensus and also a general rejection of the very notion of the coordinated global advocacy of a universal set of policy prescriptions. A similar point is made by Dowdle and Prado in their paper that the Beijing Consensus is not really about China but is a pithy way of representing the anti-Washington consensus.

³⁰ Much of this section is drawn from Tan, Puchniak and Varottil (2015).

Given that China looks to Singapore as a source of potential lessons for its economic development, and is also interested in Singapore's political and governance systems – in fact, it has been asserted that the “Singapore model” represents in perfection what the Chinese see as their own development path³¹ – this section will now sketch the reasons that led Singapore down the path that she took, namely one where the state continues to play an important role in many areas such as savings and investment;³² in land use as the largest landowner partly as a result of compulsory acquisition of land in the early years of independence; through government agencies that have roles in developing sectors of the Singapore economy such as trade and finance; and of course through ownership and control of GLCs. It will also explain why the PAP government has been politically dominant for more than 55 years. The reasons why Singapore developed in the way she did may provide some markers for China which will then be explored in the next section.

Singapore has been governed by the People's Action Party (PAP) since 1959 when Singapore was a self-governing British colony. Given this long period of PAP dominance in Singapore's political life,³³ it may be difficult to recall that unlike many other post-colonial governments, the PAP government did not initially have strong mass support. The story begins with the publication of the Rendel Report in February 1954 which was to lead to elections the following year towards some degree of self-government, Lee Kuan Yew, who was later to become the first Prime Minister of Singapore, felt it was necessary to form an alliance with left-wing militants who were under the influence of the illegal Malayan Communist Party. While Lee Kuan Yew and his group were aware of the force and discontent of the Chinese educated masses, they realized that an alliance with such men, dangerous though it might be, offered the only path to political success. The future belonged to politicians who could command the allegiance of the Chinese educated.³⁴ The task was no doubt made more daunting by the fact that Lee Kuan Yew himself was English educated and could not speak Mandarin or any Chinese dialect fluently.

For their part, the left-wing Chinese extremists saw Lee Kuan Yew and his group as a convenient front to gain political power because they were more likely to be acceptable to the British. Thus, in its early days, the PAP was divided into two wings, the non-communists under Lee Kuan Yew and the pro-communists under Lim Chin Siong. During the early years of the PAP, Lim Chin Siong and his wing were the real force in the PAP, commanding the support of organized labour and the Chinese masses.³⁵ What prevented Lim's wing from taking control of the PAP was the arrest and detention of him and several others under the Preservation of Public Security Ordinance 1955 by the then Labour Front government.

The Labour Front government which had been instrumental in helping the Lee Kuan Yew group to retain control of the PAP was defeated in elections held in 1959 where the PAP obtained a strong majority winning 43 of 51 seats in the Legislative Assembly. In power, there was an urgent need to provide employment. While open unemployment at around 5%

³¹ Ortmann (2014, p. 83).

³² Hopf (2004).

³³ Singapore has been referred to as an “illiberal democracy” with a government that has authoritarian tendencies (Mutalib (2000)). For this reason this paper occasionally refers to Singapore as an authoritarian state without intending to imply that Singapore does not practice a democratic form of government.

³⁴ Turnbull (2009, p. 255).

³⁵ Turnbull (2009, p. 262).

in 1957 was not exceptionally high, this did not take into account large numbers of people who could not be regarded as fully employed. 19% of Singapore households and 25% of individuals were found to be in poverty.³⁶ The rapid rise in the birth rate also foreshadowed future difficulties as it would eventually translate into significant labour force growth. Singapore's reliance on entrepot commerce and the income from British military bases would be insufficient to meet the needs of the rapidly growing population which would also require an increase in social services.³⁷ In a 1955 report of a mission organized by the International Bank for Reconstruction and Development, Singapore's ability to meet public financial requirements from domestic resources was doubted unless additional taxes were levied and present balances drawn upon.³⁸

To increase its popular support, the PAP government embarked on a programme of social reform.³⁹ One priority was to construct more public housing. At the time, many were living in unhygienic slums and squatter settlements with only 9% living in government flats. Within three years of the establishment of the Housing and Development Board in February 1960 that was tasked with solving Singapore's housing problem, the Board built 21,000 flats and by 1965 it had built 54,000 flats. Today, more than 80% of Singaporeans live in public housing.⁴⁰ Other significant steps were to improve health facilities, utilities, and education.

Such ambitious social goals and the need to provide employment would be unsustainable without economic development. In the 1950s and early 1960s, a generally held view was that Singapore was not viable economically as an independent entity and had to be part of Malaya. Singapore's leaders were keen on merger for this and historical reasons. On 31 August 1963, Singapore together with Sabah and Sarawak joined the Federation of Malaya to form the new Federation of Malaysia. However, the period of merger proved to be a difficult one and on 9 August 1965 Singapore ceased to be part of Malaysia.

The separation from Malaysia was traumatic for the Singapore leadership as many within the PAP had not conceived that Singapore would have to go it alone.⁴¹ A further potentially devastating blow was to come several years later when on 15 January 1968 the British government announced that its forces east of Suez would be withdrawn in December 1971. Given that the British military bases in Singapore provided substantial employment, not to mention the importance to the economy of the businesses that supported the military bases, this was a severe setback to the government of a new and developing country.⁴²

It has been said that the beginnings of a significantly expanded and more intrusive role played by the government in the economy can be traced to the announcement of the

³⁶ Huff (1994, p. 291).

³⁷ Turnbull (2009, pp. 275-276).

³⁸ International Bank for Reconstruction and Development (1955, p. 28).

³⁹ Turnbull (2009, pp. 284-285).

⁴⁰ See <http://www.hdb.gov.sg/fi10/fi10320p.nsf/w/AboutUsHDBHistory?OpenDocument> (last visited June 5, 2015).

⁴¹ Lee (2000, p. 19).

⁴² Krause (1989, p. 438) states that British expenditures constituted 12.7% of GDP in 1967 and were responsible, directly and indirectly, for the employment of 38,000 local workers or 20% of the work force.

military withdrawal.⁴³ Prior to this the government confined itself mainly to more traditional activities and to indirect involvement in the economy.⁴⁴ Indeed Goh Keng Swee, the former Deputy Prime Minister and principal architect of Singapore's economic development, stated that by 1968 a change in emphasis took place in Singapore's industrial promotion policy. Industrial development acquired a fresh urgency when the British Labour Government decided to accelerate the end of the British military presence east of Suez.⁴⁵ The impending military withdrawal brought about a change in Singapore's economic path that has endured notwithstanding her development as an advanced economy today.

One difficulty with the industrialisation strategy was that Singapore's largely entrepot economy did not naturally lend itself to industrialisation. The base of human capital necessary for this was insufficient, and the government may also not have been able or willing to look to the Chinese educated businessmen who had traditionally made up Singapore's entrepreneurs.⁴⁶ The capital markets were relatively under-developed and may not have been able to support large private undertakings, while the private sector at the same time could have been risk averse.⁴⁷ Multinational corporations were one substitute for this, the other being strong state involvement in certain sectors of the economy. It was the government's perceived need to support the transformation of the Singapore economy that led to the formation of GLCs. Singapore's leaders found control over key domestic markets and institutions the most effective way to respond to opportunities in the world economy to meet the main planning objectives of absorbing surplus labour and promoting economic growth.⁴⁸

To ameliorate the impact on Singapore from the withdrawal of British troops, the British government agreed to hand over some of its assets such as the naval dockyard at Sembawang which was handed over for a token sum of S\$1.00. Sembawang Shipyard Pte Ltd was then subsequently established on 19 June 1968 to begin business as a commercial ship repairer. Other GLCs were also formed as a result of the receipt of such assets. The Singapore government did not stop at establishing GLCs from the assets handed over by the British. It saw GLCs as a means for the government to take the lead in establishing new industries, including in the services sector, where the private sector could not or would not. For example, Lee Kuan Yew explained that the Development Bank of Singapore, now simply

⁴³ Ow (1976, p. 163). After winning the 1968 general election, two of the policy directions laid down by the PAP government were the stimulation of economic growth through the cultivation of new activities and by taking advantage of new economic opportunities, and increased functional specialization in the institutions concerned with economic development. These policy directives led to the establishment of a number of public enterprises and also brought direct government participation into new spheres such as manufacturing, transport, trading and banking. The government no longer confined itself to an indirect economic role. It assumed entrepreneurial responsibilities and moved into areas which had traditionally been in the hands of the private sector. According to Ow (1976, p. 158), this should be contrasted with the government's approach in its State Development Plan, 1961 – 1964, which focused on the pattern and financing of government development expenditure, which would support and complement the industrialisation programme. From this plan it could be seen that although the government envisaged a larger role for itself in economic development, it confined itself to the indirect role of providing economic infrastructure and incentives to attract foreign investment and promote industrial growth.

⁴⁴ Krause (1989, p. 438).

⁴⁵ Goh (1995, p. 9).

⁴⁶ Huff (1994, p. 320).

⁴⁷ Lee (1976, p. 51).

⁴⁸ Huff (1995, p. 748), citing an interview with Goh Keng Swee.

known as DBS, helped finance entrepreneurs who needed venture capital because the established banks had no experience outside trade financing and were too conservative and reluctant to lend to would be manufacturers.⁴⁹

The circumstances that Singapore found herself in probably explain the importance of GLCs in her economy compared to other Asian peers such as Japan, Hong Kong, South Korea and Taiwan. Hong Kong's development was largely driven by private enterprise. While many large companies in Japan, South Korea and Taiwan did benefit from state support, it did not lead to widespread government ownership of companies. What may have distinguished Singapore from these economies were the generosity of the British in giving Singapore land (virtually without charge) that could be used for economic or defence purposes, *and* the perceived market failure of a lack of entrepreneurs to support industrialisation.⁵⁰ Both factors acting in tandem caused the state to become a significant market participant. This did not come about for ideological reasons though arguably the fact that the PAP was a socialist party meant that there was no ideological aversion to state participation.

Singapore's industrialisation efforts proved successful. The economy saw a shift to manufacturing. Its share in total output grew from 16.6% in 1960 to 29.4% by 1979. In 1992, manufacturing contributed 27.6% of GDP and accounted for 27.5% of employment.⁵¹ Public enterprises were, by the first half of 1974, thought to account for 14 – 16% of total manufacturing output.⁵² The successful management of the Singapore economy is a major factor for the PAP's longevity as the ruling party in Singapore. For example, when elections were held in September 1963 the PAP gained a clear victory, winning 31 out of 51 seats. The Barisan Sosialis, which had been formed by former left-wing PAP members, managed to win 13 and the United People's Party won 1. The PAP's victory in the following election held in 1968 was even more comprehensive. The Barisan Sosialis boycotted the election and the ruling party won every seat that was contested.

The 1963 election is a good indicator of a decisive switch in popular support to the PAP. While it is true that the Barisan operated at a disadvantage in that election as some of its leaders were in prison, the outcome was not certain. According to a historian, the result of the 1963 polls appeared to hang in the balance and the PAP's clear victory was a surprise to both PAP and Barisan supporters alike.⁵³ The PAP obtained just under 47% of the popular vote while the Barisan obtained around 33%. The PAP's economic management and social policies accounted for its support from the populace. The PAP leadership under Lee Kuan Yew, well aware of its initially precarious position within Singapore's political arena, sought to win the support of Singaporeans through good economic management that would allow the government to improve social conditions. This economic strategy involved GLCs and gave the government considerable influence in certain segments of the economy.

⁴⁹ Lee (2000, p. 77).

⁵⁰ Lee (2000, pp. 85-86); Lee (1976, p. 55).

⁵¹ Huff (1995, p. 739).

⁵² Lee (1976, p. 64).

⁵³ Turnbull (2009, p. 286).

IV What Might the Singapore Experience Imply for China?

Size

Singapore is a small city-state that did not have a large agricultural sector and therefore her developmental experience will not always be relevant to China. Many of Singapore's inherent issues stem from the fact that she is a small nation; many of China's on the other hand are exactly the opposite. While there is no reason why Chinese cities cannot aspire to become as developed as Singapore and indeed draw certain lessons from Singapore's experience, the process of development is unlikely to be entirely similar because the policy and allocative decisions and trade-offs that are necessary will be different between a city state and a large polity that has a more diverse population and a wider range of competing considerations. Large rising powers also face greater coordination problems that can give rise to incoherent policymaking and inefficient policy implementation.⁵⁴ Nevertheless, to the extent that Singapore's experience is studied by China, and is a model that China tries to learn from, it is necessary to understand what the key elements of this experience involve, and explore what they might imply for China.

Importance of a contested democratic system

From the preceding part of this paper, it seems clear that the existence in the 1950s and 1960s of a contested democratic political environment played a significant role in fostering good political and economic governance in Singapore (including in GLCs).⁵⁵ This is not to downplay the integrity and ability of the early leaders of the PAP but to suggest that "environmental" factors must also have played a role in setting a clear path that had to be pursued. Lee Kuan Yew himself, for all his caveats about democracy, has said on a number of occasions that it was beneficial for his ministers and parliamentarians to submit to the will of the people every few years.⁵⁶ The PAP was aware of how the Labour Front government lost support in the 1959 election as a result of negative public perception brought about partly by allegations of corruption against a member of the cabinet. The PAP therefore sought to cast itself in the 1959 elections as the party that could provide honest and efficient government. Having won convincingly, it had to live up to its promises or risk being punished in subsequent polls. Ever since, the PAP has relied on its competent management of the economy and the fair distribution of its benefits to retain strong political support. Properly understood, Singapore does not necessarily stand as a good example of an authoritarian political system (whether with or without the trappings of democracy) being superior for early economic development. The PAP took radical steps to bring about economic development at a time when the electoral landscape was highly contested and its political support was relatively weak. Although it had the advantage of colonial era legislation that allowed it to imprison political opponents that were regarded as communists, the opposition Barisan Sosialis had substantial support in the early 1960s and it

⁵⁴ See Chen's paper in this volume. Nevertheless, it is interesting to note that China has over her long history retained her ability to rebuild herself after each period of decline. Apart from India, it is difficult to think of other civilizations that have this phoenix-like ability. It may suggest that very large countries by their sheer size retain a significant ability to rejuvenate themselves.

⁵⁵ Tan, Puchniak & Varottil (2015).

⁵⁶ For example, Lee (2000, p. 192) wrote: "Singapore has shown that a system of clean, no-money elections helps preserve an honest government."

must be remembered that in the 1963 elections the PAP did not obtain a majority of the popular vote. Nevertheless, it had done enough in its first term in government to persuade enough Singaporeans to vote for it to become the party with the largest percentage of the valid votes cast.

The link between economic and political legitimacy in Singapore cannot be understated. Singapore has for most of her modern history been a largely immigrant society focussed on commercial enterprise. The Chinese, Indians and other races that came to Singapore did so to engage in trade or to find work. By the end of the nineteenth century Singapore had a secure place in the pattern of world trade with an increasingly sophisticated infrastructure of commercial institutions and expertise.⁵⁷ Singapore today is still essentially a commercial city and her survival is premised on her ability to be commercially relevant to the wider region around her and as an important node for Western commercial enterprises and investors. Thus while economic growth is important to all countries, it has an almost existential condition in Singapore. It is therefore not surprising that economic legitimacy is probably the most important determinant of political legitimacy in Singapore. Singapore's democratic system has therefore been a positive force in incentivising the government to manage Singapore competently, and a safeguard against any desire to engage in rent-seeking conduct with the PAP government adopting and maintaining a zero tolerance approach to corruption.

The positive influence that the democratic system has had on Singapore can be contrasted with China's initial experience under the CCP. Without the constraint of having to submit to the will of the people on a regular basis, much of the Mao Zedong period can be accounted a disaster for China⁵⁸ that led to widespread disillusionment with socialist government. As a result of this weakened mandate coupled with the hardship that many CCP members themselves encountered during the Mao period the CCP sought to re-establish its political legitimacy by emulating aspects of the developmental experience of Japan, Korea, Singapore, Taiwan, as well as Hong Kong⁵⁹ which has led to the astonishing growth that China experienced in the post-Mao period. Although the CCP had no need to be re-elected, it was no doubt well aware of the familiar historical political cycle in China where dynasties have given way to revolution when rulers were perceived to have lost the Mandate of Heaven by failing to govern well.⁶⁰ The post-Mao communist leadership found itself in a similar position to the PAP government in the late 1950s and early 1960s in seeing economic development and the improvement of the people's well-being as essential to the party-state's political legitimacy.⁶¹ Singapore is a particularly attractive model to China in

⁵⁷ Turnbull (2009, p. 105).

⁵⁸ Though there were achievements also, see Fairbank & Goldman (2006, p. 406); Lu (2000, pp. 108-116).

⁵⁹ Lin (2003, pp. 31-32); Fairbank & Goldman (2006, pp. 408-409); Wang (2013, p. 108); Wang (2014, pp. 638-639).

⁶⁰ Wang (2013, pp. 119-120). Mote (2003, pp. 776-777, 781-784) is sceptical of any grand "dynastic cycle" theory but it is a fact that whatever the complex reasons in each case, Chinese history has repeatedly seen one regime replaced by another as a result of certain recurring factors, see Fairbank & Goldman (2006, pp. 48-49).

⁶¹ Lu (2000, pp. 122-125) offers the view that while the Maoist model had represented a viable solution to the economic backwardness of the pre-1949 market economy, it eventually created new contradictions which meant that production could be inefficient even though the economy could still grow. The adoption of a new developmental strategy became more attractive from the example of the newly industrialized economies of East Asia. This view was reinforced by the popular yearning among the people for better living standards. The population was becoming more aware of the differences in living standards between China and the developed

this regard because she is often regarded as an authoritarian state that has become rich and remained orderly without demonstrations or demands for human rights.⁶² The question for China is whether its substitute – namely legitimacy management⁶³ – for the role that democracy has played in Singapore as a disciplining factor will be as efficient. It is suggested that the perceived need to retain political legitimacy is unlikely to be as consistently effective as the need to submit periodically to the will of the people.

Corruption

Corruption within the party-state machinery, which is widespread,⁶⁴ appears presently to be most immediately worrying to the CCP⁶⁵ as high levels of corruption have tended to precede the fall of dynasties.⁶⁶ This is because deep rooted corruption is a signal of regime decay that in turn expedites the decline of the regime. All this is symptomatic of a perennial issue in Chinese history. As a result of its vastness, the central authority often struggles to impose its will on the provinces or great families or the bureaucratic system or indeed all of the above. This is epitomised by the well-known aphorism that the emperor's writ becomes ever weaker with distance. Over time central authority grows even weaker while abuse of power including corruption at the local (and central) level increases. This increases discontent that eventually leads to revolution or the regime collapsing through "barbarian" incursions. While the latter is not a concern today, the CCP does worry about the consequences of any significant loss of its legitimacy.

Singapore provides an example of how an economy that is prepared to adopt a zero-tolerance approach towards corruption can significantly eliminate it. In an economy with many bureaucratic processes that require action or the exercise of discretion by civil servants, opportunities abound for petty corruption to take place. Small payments may have to be made to secure a licence or permit, or to register a business. Where such processes can be streamlined or eliminated, such opportunities diminish not to mention the efficiency gains to the economy. The PAP government took steps to simplify procedures and limit discretion by having clear published guidelines, even doing away with the need for permits or approvals in less important areas.⁶⁷

The law against corruption was also progressively strengthened. An example of this can be seen in the law's approach towards public servants. Under Singapore law, a public servant or an agent of a public servant who receives any gratification shall be presumed to have received such gratification corruptly as an inducement or reward unless the contrary is proved by such public servant.⁶⁸ This is a departure from the general position in Singapore that the prosecution has to prove every element of the offence. Thus where an allegation of

countries, particularly China's Asian neighbours, and this created pressure on policymakers to turn the economy around and to do it quickly.

⁶² Hsu (2000, p. 948).

⁶³ Wang (2014, pp. 637-639).

⁶⁴ Spence (2013, pp. 655-656, 680).

⁶⁵ See also Chang (2003c, p. 284).

⁶⁶ Spence (2013, p. 210), and for examples of corruption in pre-modern China, see Spence (2013, pp. 16-21 (Ming Dynasty); pp. 164-165 (Qing Dynasty)).

⁶⁷ Lee (2000, p. 184).

⁶⁸ Prevention of Corruption Act (Cap 241), section 8.

corruption is not made against a public servant, the prosecution has to prove the receipt or giving of gratification and that such gratification was solicited or given “as an inducement to or reward for” doing or forbearing to do something.⁶⁹ In the case of public servants, all the prosecution needs to do is to show that the public servant received a “gratification”⁷⁰ and the public servant then assumes the burden of establishing he did not receive such gratification for a corrupt purpose.

The PAP government also prosecuted senior figures despite their PAP affiliations.⁷¹ This included Tan Kia Gan who was the PAP Minister for National Development until he lost his seat in the 1963 elections, Wee Toon Boon who was a junior minister in the Ministry of Environment, and Phey Yew Kok who was then President of the National Trades Union Congress and a PAP Member of Parliament.⁷² In 1986 the then Minister for National Development Teh Cheang Wan was under investigation for corruption and decided to take his life.

The Singapore experience of reducing bureaucratic processes and civil servant discretion, strengthening the law and the anti-corruption agency which was placed within the Prime Minister’s Office, and strict enforcement of the law, is replicable in China. Indeed the CCP under Party Secretary Xi Jinping has embarked on an extensive anti-corruption drive. This augurs well for China though it is not yet clear the extent to which this is motivated by factional politics within the CCP.

SOE reform

If the CCP wishes to address the problem of corruption, it is also imperative that further reform of China’s SOEs takes place. Full privatisation is unlikely to be an option given the advantages that the CCP derives from the state’s control of her SOEs⁷³ unless it can clearly be seen that SOEs are inherently not viable vehicles for commercial activity. Given that Singapore GLCs are a prime example of how SOEs can be efficiently managed and compete effectively in the marketplace⁷⁴ no such case can be made out and accordingly there is no incentive for the party-state to give up control of key SOEs. Instead the Singapore model of GLC governance is likely to be attractive to China in the reform of her SOEs. Essentially the Singapore approach is about getting able and honest people to manage her GLCs⁷⁵ under the oversight of trusted establishment figures (some of whom are senior civil servants or former civil servants) and respected professionals at the board level.

Importantly, the government makes no attempt to appoint managers or other personnel to manage the companies and normally does not interfere in the management of

⁶⁹ Prevention of Corruption Act, section 5.

⁷⁰ This is defined broadly and includes any kind of property, any contract, and any service or favour, see Prevention of Corruption Act, section 2.

⁷¹ Lee (2000, pp. 186-188).

⁷² Mr Phey fled Singapore on 31 December 1979 while on bail but returned in 2015 and is presently facing charges for corruption.

⁷³ Wang (2014, pp. 660-664).

⁷⁴ The PAP was wary of loss making nationalized companies elsewhere and if GLCs could not compete effectively in the marketplace they would be shut down, see Tan, Puchniak & Varotttil (2015).

⁷⁵ Who may not necessarily have strong links with the PAP, e.g. the CEO of DBS is Indian born and spent most of his career until 2009 with Citibank.

GLCs.⁷⁶ The government's interests in the GLCs are held and managed by Temasek Holdings Pte Ltd which was incorporated on 1 January 1974. Its sole shareholder is the Minister for Finance and the transfer of government assets to Temasek was to allow it to manage those assets on a commercial basis.⁷⁷ Temasek's board comprises a majority of independent directors.

Temasek states that it is an engaged shareholder that promotes sound corporate governance in its portfolio companies. This includes supporting the formation of high calibre, experienced and diverse boards to guide and complement management leadership. Temasek's policy is not to direct the business operations or decisions of the companies in its portfolio and to leave this to their respective boards and management. Temasek does, however, advocate that boards be independent of management in order to provide effective oversight and supervision of management. This includes having mostly non-executive members on boards with the strength and experience to oversee management. The boards of GLCs are policy boards rather than functional (managerial) ones.⁷⁸ Board members tend to be successful individuals in their own right with personal reputations to protect and do not consider financial considerations to be important in accepting appointment. The strong institutional and social aversion to corruption further limits rent seeking behaviour. To strengthen governance further, Temasek advocates that the Chairman and Chief Executive Officer roles be held by separate persons, independent of each other.⁷⁹

While the Temasek model is intended to provide a separation between the government and GLCs so as to enhance their ability to be managed on a commercial basis without undue government interference, and to ensure that there are checks and balances within Temasek and each GLC, there is nothing to stop the Singapore government from interfering if it wishes to do so. However, there exists a strong convention built up over many years against such interference. As GLCs were seen as important drivers of the economy, the government saw the importance of putting in place measures that would allow them to be run efficiently and has continued to honour this approach. Any reform in China must similarly be underpinned by the same political will.

Contradictions of a capitalist society within a socialist-totalitarian state

This focus on economic development by the CCP has led to a conundrum. Although formally a socialist state, China in reality has become a highly capitalist society. This has given rise to many contradictions and problems. For one, very few Chinese truly believe in the ideology of the CCP. Not only was this the result of the Mao period but the more open environment of the post-Mao period has allowed more voices and foreign ideas to circulate, and these have gathered pace with large numbers of Chinese now being able to afford overseas travel and the pervasive use of the internet and online social media. Chinese leaders also have to constantly balance competing interests such as development against environmental degradation, central versus provincial authority, urban and rural interests, a

⁷⁶ Lee (1976, p. 57).

⁷⁷ See information on Temasek, available at <http://www.temasek.com.sg/abouttemasek/faqs>.

⁷⁸ Pillai (1983, p. 116).

⁷⁹ See <http://www.temasek.com.sg/abouttemasek/faqs>.

desire for greater self-determination on the part of citizens set against the desire of the CCP to retain party-state control, just to name a few.

It will increasingly be difficult for these contradictions to be managed effectively by the party-state under a system that gives it a monopoly on governance. Diverse interest groups will increasingly want a more direct say in the formulation of public policy. There must be a manner in which these difficult issues are continually balanced in a way that is legitimate to a broad cross-section of the Chinese public. This leads to the next issue of political liberalization.

Political liberalization

Perhaps the most profound lesson that Singapore might hold for China is in the area of political liberalization. This is the principal conundrum facing the CCP. The greater personal freedoms enjoyed by Chinese citizens stand in stark contrast with the lack of political freedoms. Singapore as an authoritarian state that has allowed the PAP to retain power convincingly through open elections must be particularly intriguing especially when set against the more unrestrained electoral politics in Hong Kong, Korea and Taiwan. Of course what China sees as valuable here is what Western liberals criticise Singapore for.

Both perspectives do not fully capture the true picture. To Western liberals it is the authoritarian nature of the PAP government that is the main reason for its overwhelming electoral success. While it is true that the PAP has not allowed opposition parties a level playing field, it is extremely unlikely that the outcome would have been significantly different as many Singaporeans are genuinely grateful to the PAP for giving them a better life through economic success. In addition, many of the advantages that the PAP government had in the past have been significantly eroded.⁸⁰ For the Chinese party-state, the PAP's record provides evidence that an able authoritarian government can bring about economic development and continue to retain support. However, the outcome of the last election in Singapore in 2011 should sound a cautionary note.

While on the face of it the PAP won yet another stunning victory with 81 out of 87 parliamentary seats and 60.14% of the valid votes cast nationwide,⁸¹ the 2011 results had many negatives for the PAP and arguably signals the beginning of a much more competitive political landscape last seen in the early 1960s. This was after all the PAP's worst showing since the 1963 elections and the opposition had 6 elected members⁸² compared to the two in the previous parliament.⁸³ The PAP also lost two cabinet ministers including the highly respected Foreign Minister. Its share of the popular vote went down by slightly more than 6% but this is more significant than it seems because in the previous election in 2006 the majority of the seats was not contested (while in 2011 the PAP only obtained a walkover for one Group Representation Constituency comprising five seats) which suggests that in 2006

⁸⁰ For example the control over mainstream media has been counterbalanced by socio-political websites and social media, and estate upgrading which is linked to the PAP being able to manage the electoral ward in question may no longer have the same appeal.

⁸¹ See <http://www.sgpoltics.net/?p=6789>.

⁸² All from the Workers Party (WP).

⁸³ Subsequently the WP won a by-election in January 2013 when the PAP Speaker of Parliament resigned his seat.

the opposition parties could field better candidates on average, concentrate resources, and target constituencies that were perceived as more vulnerable. Furthermore, in all the constituencies that the strongest opposition party contested, the PAP's share of the vote went below 60%. The relatively poor electoral performance of the PAP can be explained by widespread unhappiness over a number of matters including property prices, high cost of living, employment concerns, growing income inequality, and concerns over immigration and the resultant strain on infrastructure and the social fabric.

More significantly, the 2011 election was a manifestation of a more independent citizenry that feels less beholden to the PAP for its past achievements. It also reflects a maturing civil society with a greater proliferation of views as well as a desire for a better societal balance that does not focus overly on economic considerations. This change had been developing gradually prior to 2011 but has now come to the fore. The significance of it can be seen by the fact that even many members of the establishment think that a change in the ruling party cannot be ruled out within the next three to four election cycles.

While the CCP has cautiously experimented with elections at the village level, the Singapore experience should bring home the message that a functioning democracy is no respecter of authoritarian governments, even those that have generally governed well. The CCP may therefore see the Singapore experience as further proof that it should not go down such a path as it may lead to the party losing power.

This author would suggest a different conclusion. History has shown that profound social changes are unstoppable and will eventually sweep away the old order. It is difficult to see how the CCP can stand against the tide of representative government through free and fair elections. Increasingly the citizenry will demand greater political freedoms and the party, bereft as it is by any moral authority or ideology, has no alternative compelling vision. It can find one if it is bold enough to seize a historic opportunity to introduce a democratic system of governance to China. While no system of governance is perfect, the factual "dynastic cycle" has meant long periods of chaos and hardship for the Chinese people. A democratic system provides a more orderly and effective way for political change to take place.⁸⁴ It also acts as a disciplining agent to those in power (Singapore being an example) and is arguably more effective at the local level than the oversight that the centre can exercise. The CCP is in a position to help shape this new governance structure and avoid the danger of being swept away ignominiously eventually by the consequences of the reforms that it instituted.

Once again, Singapore provides potential insights. The PAP has responded to the 2011 elections by increasing the supply of public housing, tempering the property market, providing more health care facilities, and introduced new schemes to help the more vulnerable in society. These measures, together with the recent demise of Lee Kuan Yew on March 23, 2015, has led to some resurgence in support for the PAP. Singapore

⁸⁴ While it is true that many Chinese believe that a strong authoritarian government is necessary for China given the chaos suffered by China when she was under less than authoritarian rule, Ogden (2003, p. 226), it is suggested that this was because the absence of democracy meant there was no peaceful or timely method for a declining regime to be removed and replaced by a potentially more rigorous one.

demonstrates that a strong and nimble political party emerging from an authoritarian phase to a more liberal Western one can continue to command the agenda.

Conclusion

Like the Chinese people,⁸⁵ Singaporeans abhor major social upheaval. Although Singaporeans are a very Western oriented Asian people⁸⁶ and Singapore society is becoming increasingly liberal, Singaporeans in general like the orderliness and predictability that can be found in their country. They are happy with their “restrained democracy”⁸⁷ and do not want gridlock in governance. They support measures that are good for economic development even if there are interests that have to be sacrificed. As such, support for the PAP still remains strong but it is a more grudging, fluid support. The people want the PAP to be more connected to their needs and feel that it has been out of touch in recent years. If anything, the long period of almost absolute political power caused complacency within the PAP thereby weakening it. The more competitive political landscape is an antidote for this which will hopefully lead to more fundamental reform within the PAP.⁸⁸ In addition, Singapore also illustrates how despite many years of experience with democracy, politics in Singapore has on the whole been orderly and restrained. The history of Singapore is one of a society that has flourished because of her democratic system, not in spite of it. This is perhaps the most important insight for the CCP to discern from the Singapore experience.⁸⁹

[Postscript: In the 2016 Singapore General Elections, the PAP improved significantly on its electoral performance, securing 69.9% of the valid votes cast, an almost 10 point increase from what it received in 2011.⁹⁰ It also won back the seat it had lost in January 2013 to the WP in a by-election. The WP managed to retain its Single Member Constituency stronghold, and the Group Representation Constituency that it had won in 2011, the latter by a whisker with 50.95% of the votes. The PAP’s significantly improved performance can be attributed to the policy changes that it made after 2011, the demise of Lee Kuan Yew, the SG50 celebrations,⁹¹ generous government giveaways,⁹² and (possibly unfair) accusations of improper financial governance against the WP run Town Council. Part of the swing in the vote was probably also attributable to a concern after nomination day that the PAP might lose a high number of seats resulting in an unstable government. This likely caused an overreaction in favour of the PAP.]

⁸⁵ Hsu (2000, pp. 1016-1017).

⁸⁶ Like many young Chinese.

⁸⁷ A term used by Hsu (2006, p. 1017).

⁸⁸ For example, the PAP is still reluctant to accept that it has to change its approach towards news and information given how connected Singapore is.

⁸⁹ An insight that some Chinese commentators have articulated, see Ortmann (2014, pp. 90-92).

⁹⁰ See <http://www.straitstimes.com/politics/pap-wins-big-with-699-of-vote>.

⁹¹ Singapore’s 50th anniversary after independence in 1965.

⁹² For example, the Pioneer Generation Package (see <https://www.pioneers.sg/en-sg/pages/overview.aspx>).

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