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# SINGAPORE IN 1997

## *Living with the Neighbors*

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Garry Rodan

In an eventful year that kicked off with a general election and a resounding win for the ruling People's Action Party (PAP), there were plenty of reminders that Singapore's island status belies a susceptibility to neighborhood influences. The fundamental strength of the Singapore economy was not enough to prevent the city-state from being dragged into regional financial and stock market crises. Pollution from fires in nearby Indonesia also tested Singaporeans' neighborly spirit during the year. Relations with Malaysia were strained too as one incident after another kept alive a war of words across the causeway.

### Economy

After a slow start at the beginning of 1997, the Singapore economy picked up significantly in the second and third quarters of the year. Manufacturing gathered momentum sufficiently for the government to revise Singapore's overall annual growth projection upward from 5%–7% to 6%–7%. The resurgence of the electronics industry, which accounts for around 70% of the island's non-oil domestic exports, was pivotal in this. To be sure, the economy was buffeted by the regional crises in the latter half of the year. The Singapore dollar dropped in value by over 11% against the U.S. dollar between July and the end of November, and stock market prices were nearly 26% lower than at the beginning of the year. However, the economy's heavy orientation to markets outside Asia and established policy settings provide a measure of insulation from the worst effects of the regional economic crises, which will work themselves out over the next 18 months.

Many of Singapore's non-oil domestic exports are assembled in other Southeast Asian countries before reaching final destinations in the United

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States and Europe. Indeed, some activities might actually benefit from the devaluations of currencies in Southeast Asia, which would render exports more competitive. By contrast, Singapore's tourism industry, already badly hit as a consequence of serious pollution from Indonesia's forest fires, will suffer as it relies on visitors from Southeast Asia for a third of its business. The troubled retail sector too will be further hit by the dilution of Singaporean purchasing power as a result of devaluation.

Where the city-state is especially susceptible is through entrepôt activities. Around 27% of Singapore's total trade is with Indonesia, Malaysia, the Philippines, and Thailand.<sup>1</sup> Trade and investment ties with Indonesia are by far the most extensive and Singapore's banks and financial institutions are heavily committed there, as are government-linked corporations. It is against this background that the Singapore government offered Indonesia US\$5 billion in standby credit, with a further \$5 billion available if required. This compares with \$10.14 billion set aside by the International Monetary Fund (IMF).

Amidst the property price bubbles in the region, the government would have derived satisfaction from the impact of measures introduced in 1996 to curb speculative price rises in residential property. They were so successful that the government suspended a tax imposed on real estate agents for sales made within three years of purchase.<sup>2</sup> Attention now turns to ensuring that prices don't fall so low as to undermine the domestic property market. Alongside such short- to medium-term considerations, the government is also focusing on long-term structural economic questions. In May it established a special committee of senior ministers and leading businesspeople to study Singapore's competitiveness and identify problems and growth strategies for the next 10 years. This committee is serviced by five subcommittees reviewing manufacturing, banking and financial services, hub services, domestic businesses, and manpower and productivity.

It is a decade since such a major reassessment has been undertaken. Concerns over the long-term consequences of rising business and labor costs underlie the exercise. The prime minister devoted his National Day speech in August to the theme of opening Singapore up to greater immigration as a way of offsetting a persistent labor shortage and raising economic competitiveness. The report of the Committee on Singapore's Competitiveness was due to be delivered at the beginning of 1998, but there already were signs that further deregulation of financial services would be a prominent recommendation. The finance sector accounts for 12% of Singapore's gross domestic product and has become increasingly important as a source of growth. The

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1. Michael Shari, "Storm Clouds over Asia's 'Safe Haven'," *Business Week*, 11 August 1997, p. 19.

2. Since the introduction of the government's measures, property prices have fallen around 15%.

1997 budget contained a range of new tax incentives to promote Singapore's financial services and Deputy Prime Minister Lee Hsien Loong has also signaled the need for changes to the sector to enhance its development.<sup>3</sup>

### Domestic Politics

Singaporeans went to the polls on January 2. The opposition parties again deployed the tactic of handing the government victory on nomination day in December, declaring their intention to contest just 36 of the 83 available seats and appealing for a protest vote. However, on this occasion the government was returned with an increased share of both votes and seats, reversing the steady electoral decline of the PAP over nearly two decades. The PAP's share of total votes was up from 61% to 63.5% over the result in 1991 and the number of opposition seats was halved to just two.

The result was a major personal triumph for Prime Minister Goh Chok Tong who has been saddled in the past with speculation that he is a seat warmer for Lee Hsien Loong, son of former Prime Minister Lee Kuan Yew. Goh ambitiously declared that anything less than a 60% government share of the vote would be a moral defeat for him. However, despite his claim after the landslide win that Singaporeans had "rejected Western-style liberal democracy and freedoms," self-interest rather than any clear ideology was probably uppermost in voters' minds. They had been given a stark choice: return government candidates and benefit from a range of expensive new public programs, or have these withheld or delayed in retaliation for electing PAP opponents.

Various responsibilities and services are being devolved to new community development councils run by local members of Parliament; these include estate improvement, child care facilities, libraries, care for the aged, and the dispensation of education subsidies. Threats by Goh concerning the multi-million dollar housing upgrading program caused special concern. Given that around 86% of Singaporeans live in government-built flats, the electorate is highly vulnerable to such intimidation. The announcement of a new system of vote counting enabling the government to ascertain voting preferences down to precinct levels of 5,000 voters reinforced the threat.

The results for the Singapore Democratic Party (SDP) were especially disastrous. Plagued with internal bickering and public recriminations since the last election when it took three of the four opposition seats, the SDP lost the seats of Bukit Gombak and Nee Soon Central, respectively held by Ling How Doong and Cheo Chai Chen. Party founder Chiam See Tong also defected to the newly formed People's Progress Party (PPP) and held his seat of Potong

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3. See Ravi Velloor, "New Radical Approach for S'pore's Financial Sector," *Straits Times* (weekly edition), 8 November 1997, p. 1.

Pasir with a reduced margin. The high profile SDP secretary-general, Chee Soon Juan, also failed to make much impression in the middle-class electorate of MacPherson. The Workers' Party fared a little better, with Low Thai Khiang returned with an increased majority in the seat of Hougang.

However, the main focus in this general election involved the group representation constituency (GRC) of Cheng San where senior government figures campaigned against a five-person Workers' Party team that included arch-rival Joshua Jeyaretnam and a new entrant to opposition politics, 61-year-old lawyer Tang Liang Hong. Tang was subjected to an intense PAP campaign depicting him as anti-Christian and a Chinese chauvinist who was a danger to racial harmony. Ironically, when Tang responded to the charges by labeling his adversaries liars and threatening to sue for defamation his troubles multiplied. Eleven government MPs, including Goh and Senior Minister Lee Kuan Yew, filed 13 suits against him. Jeyaretnam was also hit with 11 actions for allegedly propagating a libel by drawing attention to Tang's intended defamation proceedings at a public rally.

The litany of legal actions in 1997 was unprecedented in scale but part of a general pattern since the late 1980s. Lawsuits have replaced detention under the Internal Security Act as the principal means of intimidating political opponents. In Tang's case, the court found him guilty of defamation and awarded damages of S \$7.175 million, a sum later reduced by the Appeal Court to S \$3.63 million. Tang, who fled the country immediately after the election, has indicated that he will not pay the fine but instead explore avenues to have the court's judgement against him struck out. In the first case against Jeyaretnam by Goh, the latter was fined S \$20,000. The proceedings of this case attracted widespread international attention and involved a prominent British queen's counsel, George Carman, cross-examining the Singapore prime minister. Carman's argument that Jeyaretnam was a victim of a calculated political persecution did not convince the court, but was echoed in observations from Amnesty International, the International Commission of Jurists, and assorted newspaper editorials outside the city-state.<sup>4</sup> Jeyaretnam is appealing the court's decision.

## International Relations

The pursuit of Tang through the courts precipitated an unintentional spat with Malaysia in March that set the tone for further distrust and suspicion across

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4. International Secretariat, Amnesty International, "Singapore. J. B. Jeyaretnam—The Use of Defamation Suits for Political Purposes," 15 October 1997; Stuart Littlemore, *Report to the International Commission of Jurists, Geneva, Switzerland, On an Application in the High Court of Singapore by Mr. J. B. Jeyaretnam, on 27 June 1997*; "Settling Scores in Singapore," *Guardian*, 19 August 1997, p. 16; "Open Court in Singapore," *Asian Wall Street Journal*, 27 August 1997, p. 6.

the causeway for much of the year. Tang had fled to the neighboring Malaysian state of Johor Bahru in January, claiming he feared for his life in Singapore following the acrimonious election campaign and the pending legal actions. However, in an affidavit by Lee Kuan Yew accompanying his libel suit against Tang, the senior minister described Johor as "notorious for shootings, muggings and carjackings,"<sup>5</sup> thus anything but a safe haven. Offense was taken in Malaysia by political leaders and journalists who took the failure of Lee's colleagues to quickly and unreservedly dissociate themselves from the remarks as tantamount to concurrence with them. Lee's subsequent apologies and request to have his observations removed from court records failed to appease the Malaysians, many of whom were unconvinced of Lee's sincerity.

Media reports of a cabinet decision to freeze Malaysia-Singapore relations, which lingered for some while before being discounted by the Malaysian leadership, underlined the seriousness of feeling in Kuala Lumpur. Before the dust had a chance to settle, an April report in the English-language *Straits Times* contained statistics on crime in Johor, the publication of which was interpreted in Malaysia as endorsement of Lee's earlier negative remarks. The following month, the *Straits Times* reported that travel agents and tour organizers were avoiding Malaysia because they "did not feel welcome" there and were afraid for the safety of their customers. A PAP residents' committee chairman also declared that avoiding Malaysia was "showing support for the Singapore Government."<sup>6</sup>

The depth of the Malaysian reaction to Lee's remarks and the rapid escalation of the war of words reflected unresolved bitterness about the failed merger experiment of the 1960s and a changing contemporary political economy. Against all expectations, the breakdown of political merger saw the city-state rapidly forge ahead while Malaysia more slowly gathered economic momentum. However, in the last decade the Malaysian economy has undergone a dramatic transformation, present problems notwithstanding. The sense of economic competition between the two countries has intensified. The multimedia super corridor being established near Kuala Lumpur, for example, has the two countries vying as regional information technology centers. Malaysian companies have also been urged to use domestic ports to reduce dependence on the port of Singapore, through which about 30% of Malaysian exports pass. In late November, Prime Minister Mahathir questioned whether destabilizing rumors about his health, the suspension of the Malaysian stock exchange, and runs on Malaysian banks had originated in

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5. Quoted in Susan Berfield, "Close Encounters: The Sayings of Lee Kuan Yew Cause a Ruckus Across the Causeway," *Far Eastern Economic Review*, 28 March 1997, p. 26.

6. Ian Stewart, "Warning to Tourists Fans Singapore, Malaysia Rift," *Australian*, 22 May 1997, p. 9.

Singapore.<sup>7</sup> While friction between the respective political leaderships is not fundamental, it is likely to continue to surface periodically as economic rivalry and the politics of ethnicity combine.

Singapore was on the receiving end of serious environmental pollution for several months in 1997 caused by smoke from vast and uncontrolled forest fires in Indonesia. Authorities managed the situation by restricting outside activities for school children and advising other vulnerable groups, such as the elderly, to keep indoors as much as possible. Concerns remain about the long-term health implications of exposure to this pollution. Importantly, the "haze," as it is euphemistically and gently referred to by politicians in Singapore and other affected countries, has become a periodic experience in the 1990s. Previous representations to the Indonesian government and the ASEAN Cooperation Plan on Transboundary Pollution agreed to in Kuala Lumpur in 1994 have been demonstrably ineffective. This has brought into serious question ASEAN-style soft diplomacy.

On a brighter note, as the year's end approached, Singapore was able to exert an important and constructive influence in a broader forum. Prime Minister Goh Chok Tong was instrumental in raising consciousness at the Vancouver APEC meeting in November about the crises in Asian economies as a global problem requiring an international response. He appealed to the U.S. to play a central role in coordinating this, a proposition taken up by President Clinton, who had previously played down the broader significance of the regional crises. It is now likely that there will be a meeting between APEC and European representatives or finance ministers, or between APEC and the Group of Seven major industrial nations.

## Conclusion

Having achieved such an emphatic electoral victory at the beginning of 1997, the government had good reason to be optimistic about the year. Before long, however, it had to contend with a sequence of diplomatic, environmental, and economic problems. The adverse international reaction to the plethora of court actions against PAP opponents also took some of the gloss off its political success in January. Nevertheless, political predictability remains one of the factors that distinguishes Singapore in an increasingly turbulent region.

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7. See "Be Calm, Kan Seng Urges Singaporeans," *Straits Times*, 23 November 1997, p. 2.