Singapore in the new economic geography: From geographic location to re-locating economic dynamics

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Singapore in the new economic geography:

From geographic location to the relocation of economic dynamics

Singapore was founded as a node within the extensive network of trading routes that developed across the British Empire. The settlement’s value lay in its highly strategic location between Europe/India, China and the Malay Archipelago at the most convenient crossroads for goods and merchants operating within these geographical sub-systems against the background of the geopolitical interplay between the Dutch and the British in Asia. Indeed, its location was the only resource underpinning Singapore’s growth (Huff 1997, 7). This early advantage of geographic location was very significant within the particular patterns of trade and geo-politics of the early 19th century and, supplemented by free port status, facilitated Singapore’s growth as a major entrepôt for trade within both the British Empire and Asia.

This early asset was instrumental in producing economic growth at a time when transport was slow, making distance a critical economic parameter. Yet, this “natural edge” was to become less relevant following the drop in transportation costs and the marginalization of distance as a crucial economic constraint as a result of the rapid development of telecommunications and the widespread use of containerization (Trace 2002) and air transportation. However, in a context in which geography alone can no longer support Singapore’s growth, the city has succeeded in securing its pivotal position within new economic geographies largely framed by the organizational logics of transnational corporations’ production networks (Veltz 1997) and changes in patterns of capital flows. We suggest that this success, as fragile as it may look, can be seen as a result of Singapore’s ability to re-create location effects in a context in which distance has been marginalized as a determining factor of patterns of economic activity. In this respect, we wish to show that Singapore, through detailed policy planning, has substituted or at least supplemented geography with a sophisticated “built environment” in order to retain its position as an important trading hub within a new economic system.

The chapter will be organized in three sections. In the first section, we will look at the city’s early history. Through a brief overview of its shifting position within changing pre-independence patterns of economic activity, first as an entrepôt within the British Empire and also for the junk trade and then as a staple port, we will show that location underpinned the city’s economic growth until the 1960s.

In the second section, we will show how, as distance became less important as a structuring feature of global trade, Singapore took advantage of the international expansion of Western and Japanese firms to secure its position within the expanding transnational system of production organization by adopting an aggressive policy designed to capture and channel foreign direct investment. By attracting foreign enterprises, Singapore carved out a position for itself within the expanding geographies of transnational corporations.

In the last section, we will show that the country’s endeavor to rise up the value chain and become a preferred site for transnational corporations’ high-end operations required the crafting of a carefully designed material and immaterial environment, which re-produced location effects relevant to the configurations of the new economic geographies.
Early history: linking trade systems
The founding of Singapore in 1819 was a strategic move by the British East India Company (EIC) both to secure its China trade and to penetrate the Malay Archipelago trade systems against a background of fierce competition with Dutch traders bent on advancing their mercantilist interests in the region. Indeed, the island of Temasek, where the settlement was established, was strategically located in terms both of maritime security and its central position between different trading systems and maritime zones (Hamashita 2003). Its location at the southernmost tip of the Malay Peninsula, at the crossroad between India and China and between mainland Asia and the Malay Archipelago, gave Singapore a natural edge to become a bulk-breaking and redistribution center for the region and made it a convenient place for regional trading networks to join long-distance shipping routes. Thus from its inception Singapore fulfilled a double function within the broader framework of the British Empire’s commercial interests: the colony was used as a connecting hub between regional and world shipping routes where cargo could be consolidated and then transported further along several trading sub-systems, serving different destinations and operated by different merchant communities, and as a port of call on long shipping routes (Trocki 2005; Huff 1997). Thus Singapore’s geographic location served as a “switch” between different trading zones, facilitating communications within the broader framework of the British commercial and imperial enterprise.

As mentioned, maritime trade systems and trading routes which criss-crossed maritime spaces and linked ports in the East Asian region and connected the region to the West through India were not homogenous. They were distributed between different maritime zones, trading communities and networks' and trading systems which communicated within global economic systems in which they operated in ways that were both articulated and discontinuous, with each community specializing in terms of economic zone and adopting distinctive trading practices. Among these overlapping networks, Singapore came to have two main functions. The city soon emerged both as a bulk-breaking station for British manufactured goods, from where they were then forwarded and distributed throughout the region by local and regional merchants, and as a collecting point for Straits produce from the Malay Peninsula and Dutch India, which was then shipped towards Europe or China (Jones 2000; Jones and Wale 1998; Kratoska 2006; Trocki 2005). In this sense, Raffe’s vision of making the colony into a strategic trading outpost within China’s trade system proved unsuccessful. Instead, European ships running the India-China trading route would typically stop for bunkering and to load small amounts of local bulk, mainly cargoes of Straits products consolidated in Singapore by Chinese and merchants from the archipelago, before proceeding eastward or westward. As a result, Singapore actually became the gateway for the Malay region (Huff 1997). It also emerged as a major logistical platform for the junk trade (Hamashita 2003), functioning as an entrepôt for regional trade in East Asia, notably for Straits products, raw materials, rice and opium. However, Singapore’s position was to change greatly from the 1870s onwards, because of two historical circumstances. First, industrialization in Europe was to give rise to a booming demand for regional staples, first tin, then rubber by the turn of the 20th century, and later petroleum (Huff 1997, Jones and Wale 1998; Ramasamy 2007; Booth 2008). This new demand for raw materials produced in the Malay Peninsula and in Dutch India re-positioned Singapore as a staple port for its Malay hinterland, from where locally extracted staples were exported to the West (Tan 2007; Tan 2008), thus reinforcing both Singapore’s regional ties with the Malay region and its strategic position within the British Empire. Second, the revolution in transportation triggered by the advent of steamships and the opening of the Suez Canal reinforced Singapore’s position as a port of call, not only for Southeast Asia but notably for the China trade, as all ships that had previously sailed through the
Sunda Straits subsequently passed through the Malacca Straits, thus sailing through Singapore waters (Ken 1978; Frost 2004). Steamship navigation only reinforced Singapore’s increasingly central position within multi-layered trade systems, as the port became a major stop for bunkering, where ships could both break bulk and fill up empty cargo space at a low marginal cost. In this context of expanding trade systems, rising demand for regional staples tied to industrialization in the West and slow transportation, location proved a highly strategic resource in Singapore’s pre-independence period. However, this geographic advantage was subsumed within a set of economic and geo-political forces whose rationale lay outside the city itself, mainly in the greater interests of British mercantile enterprise and the regional junk trade system, within which Singapore functioned as an entrepôt. Since Singapore had practically no domestic industry or staple of its own, the economic outcomes of location were dependent upon global economic circumstances, which lay far outside the control of its authorities and depended heavily on the shifting nature of demand for imports in Western countries. After fifty years of rather slow growth as a gateway for the Malay region (Huff 1987), Singapore found some economic stability and high growth potential through consolidation of its “natural” Malay hinterland and its position as a staple port. This situation lasted until the colony gained independence in 1965.

**Singapore, foreign direct investment and the new geographies of trade and production**

In 1965, when Singapore was separated from Malaysia, the political split was soon followed by a deep restructuring of the city’s economy and a qualitative shift which affected its position within economic geographies. To borrow Saskia Sassen’s formulation, political sovereignty, along with emerging reorganizations within the global economy, marked a tipping point (Sassen 2006, 9) in Singapore’s history, heralding a period that would see both a radical restructuring and the maintenance of continuities in the city’s economy and its integration into global patterns of economic activity. To understand this shift, it is useful to consider both the path taken by Singapore after independence to develop its domestic economy and the historical context in which this process unfolded.

At independence, the country’s economic position as a staple port for the region was under serious threat, as Singapore had been both severed from its Malay hinterland, which provided the bulk of its staple inputs, and deprived of a viable market for industrialization based on import substitution (Huff 1997, 34; Trocki 2005, 166). Soaring unemployment made the situation even more volatile. In these uncertain times, Singapore faced two main risks: first, the city was exposed to disruption of its trade and, as a result, to economic collapse because of its over-dependency both upon a few staples and on a region that was turning dangerously unfriendly. Second, the situation carried a high potential for political and social unrest under strained economic and labor market conditions. In order to address these threats, the government identified economic growth as the essential precondition for nation-building if the incipient state was to survive as an independent polity (Castells 1992; Low 2001; Yao 2007).

Economic development was to be based on an export-oriented growth strategy that would allow Singapore both to bypass the region as its main trading partner and to compensate for a small domestic market. This economic strategy took advantage of historical circumstances. From the late 1950s onwards, US companies had started to “go international”, adopting transnational relocation
strategies that would thereafter increasingly rearrange global patterns of economic activity. An increasing number of companies then started to disperse their operations and value chains across different countries, thereby rearranging the geographic landscape of industrial production to form what Pierre Veltz has termed the “archipelago economy” (Veltz 1996). Singapore took advantage of these dynamics in order to make up for the lack of domestic capital and technical know-how, by backing its export-oriented growth strategy with inflows of foreign capital. In order to secure foreign capital inflows, the government shaped the city into an attractive environment with cheap labor, favorable tax regimes and good infrastructures, making it appealing to foreign firms wishing to locate offshore assembly plants in Asia (Mirza 1986; Rodan 1989; Chia 1997; Perry et al. 1997a). In the context of the “new international division of labor” (Fröbel and al. 1980), the foreign capital thus attracted provided the means for fast industrialization and helped to absorb a growing workforce. More importantly, it positioned Singapore as a strategic site within the fast-expanding economic geographies of transnational firms and capital (Rodan 2004). In this respect, foreign capital played a decisive part in diversifying Singapore’s economy: by integrating the city into transnational corporations’ production networks and the regional trade in parts and components (Athukorala 2008), trade in manufactured goods moved the economy away from its narrow focus on a few staples. Moreover, the global span of transnational corporations’ geographic organization lifted Singapore out of its confinement in its immediate geographic and geo-political setting in the Malay world.

The volume of foreign direct investment (FDI) was to grow rapidly. In 1972, Singapore’s cumulative stock of foreign direct investment stood at 547 million US dollars (Mirza 1986, 9). In 2007, it reached 250 billion US dollars, an eightfold increase over 1990, making Singapore the world’s second largest recipient of inward FDI per capita, just behind Hong Kong (UNCTAD 2009). In the wider region the country has been consistently capturing a 50% share of FDI in Southeast Asia since the 1980s on and in 2009 it was just outpaced by China and Hong Kong in Pacific Asia. Critical also in terms of political stability, foreign enterprises accounted for around 50 per cent of employment in Singapore’s manufacturing sector in 1999 (Ruane and Ugur 2004). Moreover, they accounted for between 70 and 75% of the country’s manufacturing output from 1970 onwards (Blomqvist 2000) and for between 70% and 88% of Singapore’s manufacturing exports (Athukorala 2006; Dent 2003), showing the critical importance of foreign companies not only as engines of industrialization but also as major contributors to Singapore’s trade. However, analysis of the impact of foreign capital on Singapore’s economy requires a more qualitative approach, as the nature of FDI “absorption” by the country has shifted over time. Indeed, as transnational companies’ corporate organization became more sophisticated and they spread their operations and value chains throughout Pacific Asia against a background of “production fragmentation” and “fragmentation trade” (Athukorala 2008), Singapore’s central position within pre-war trade patterns shifted as it repositioned itself as a regional control and business center and a manufacturing and assembly offshore platform within the geographies of transnational corporation networks (Yeung and al. 2001). Through this process, Singapore was able to secure its position as a trading hub and logistical platform as it became fully integrated into the emergent geographies of offshore production.

However, Singapore’s government did not base their FDI strategy on “laissez-faire” economics, as was the case in Hong Kong. Indeed, Singapore had to deal with the critical issue of nation-building and this was to have a profound influence on the city-state’s political economy in what is arguably the most significant difference with Hong Kong which, as a British and then a Chinese territory, did
not have to face this question. This situation has sustained the idea, in Singaporean politics, that close political management of the economy is necessary in order to attune economic development patterns to the perceived political needs of nation building and national survival (Yao 2007). Through the political fine-tuning of the city’s economic, social, legal and infrastructural environment, by means of a continuous re-assessment of global economic circumstances and dynamics (Siong and Chen 2007) and also through the engineering of various incentive packages (Dent 2003; Soon and Stoever 1996), the government fought both to attract foreign capital and to channel FDI in order to maintain control of economic and development policies. As a result, after a first phase when, in the messy times of independence, foreign direct investment was left to flow in without any clear planning policy and served mainly to sustain the growth of a burgeoning electronic industry and the development of the petroleum sector, the government took a more strategic approach to foreign capital (Huff 1995).

As early as the mid-1970s, not only were economic policies carefully designed in order to embed Singapore into the geography of transnational capital flows but they were also increasingly aimed at enhancing and securing Singapore’s functions within the web of shifting economic geographies. In this respect, foreign capital was channelled in such a way as to enable Singapore’s industries to rise up the value chain in the international division of corporate operations (Lai-To 2000) by reducing the share of labor-intensive industries and specializing in knowledge, capital-intensive and fully-integrated niche economic sectors such as the wealth-management, bio-pharmaceutical (A*Star 2009) and petro-chemical sectors (Ramasamy 2007; Pillai 2006). In practical terms, the development strategy was to position Singapore both as a services hub, a coordination center and a sophisticated platform for high-end manufacturing processes. This was achieved by identifying specific services and manufacturing sectors on the basis of their high growth potential and by upgrading existing sectors in order to focus on high-end operations throughout the value chain, from research and development to finance and merchandizing. This move is clearly perceptible in the shifting sectorial composition of foreign direct investment. In the manufacturing sector for instance, investments have been redirected to a very significant extent. FDI in electronics has fallen from 36% of total manufacturing FDI in 1989 (Chia, 1997) to 50% in 1997 (Singstat 2007) and 25% in 2007 (Singstat 2010) as it has been redirected towards high-end production processes, shifting from personal computers towards industrial electronics. At the same time, investments in the bio-pharmaceutical sector have rocketed, accounting for 41% of total manufacturing FDI in 2007, a huge increase over 1995 when it accounted for only 8.3% of total sectorial inflows.

This strategy somehow succeeded in moving Singapore into the upper stratum of transnational corporate organization, as a location for higher functions within transnational commodity chains. Indeed, the city has emerged, with Hong Kong, as one of the two preferred locations in East Asia for transnational corporations to set up regional headquarters performing regional coordination and finance operations. Transnational corporations are increasingly dividing their operations between East and Southeast Asia and tending to refine their coordination structures by locating regional headquarters in both cities. Over and above their efforts to shape the city into a major regional control hub, the government also tried to retain some control over transnational corporations’ relocation strategies, as they moved their labor-intensive production operations outside of Singapore. As part of this strategy, the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), a cross-border economic zone, was created in the 1990s in cooperation with the city’s two big neighbors, in a configuration somehow reminiscent of its old Malay hinterland. This transnational
territory was conceived of as an integrated economic space, highly compressed within a short
distance from Singapore, where transnational corporations could locate their entire value chains.
Differentiated national territories could be taken advantage of and linked within flexible global value
chains, in which Indonesia would undertake the labor-intensive, low-skill production stages and
provide cheap land, Malaysia would accommodate intermediate operations and Singapore would be
the hub for high-end production processes and services in a transnational organization of labor,
natural resources and capital (Yeoh et al. 2009; Pereira 2009; Grundy-Warr et al. 1999a; Perry 1992).
Moreover, the goods produced by the relocated labor-intensive industries would continue to feed
Singapore’s trade economy, since the city would be the natural gateway for goods entering
international commodity supply chains and the location for corporations’ higher functions. Although
it is yet to prove fully effective, this strategy was later expanded with the creation of industrial
estates in China, Vietnam and India, where foreign corporations could relocate or set up industrial
plants. Singapore itself was presented as the natural site for the most sophisticated operations within
transnational value-chains, thus strengthening its position as a node within the new economic
geographies of transnational companies (Phelps 2007).

As Singapore became integrated into the emerging geographies of expanding transnational
corporations, its historical role as an entrepôt, trading hub and financial center underwent change as
a result of the new production and trading patterns. The city’s position shifted from that of a
commercial outpost within the British Empire trading system to a renewed and carefully politically
designed location as a city-state, with a strong development policy, within the patterns of
transnational corporation networks. To stick to Saskia Sassen’s formulations, Singapore’s capabilities
as a historical entrepôt – say physical and “soft” infrastructures - have been re-positioned to fit into
the new economic configuration of expanding transnational corporations’ geographies and
organizational logics.

From geographic location to re-locating economic dynamics

Singapore’s trade patterns today are framed by their integration into these new geographies of
transnational production spaces, as the city’s historical role as a linking point between an intra-Asian
trade system and transcontinental trade patterns has changed to fit into the new organizational
framework of transnational corporations. The geo-morphological continuity in this process is evident,
as Pacific Asia as a whole still accounted for almost 60% of Singapore’s total trade in 2007 and there
were still evident imbalances in the intensity of its trade with Southeast Asia and more specifically its
historical Malay hinterland, now split between Malaysia and Indonesia’. However, whereas this
geographic position used physically to reflect Singapore’s role as an entrepôt both in the framework
of the British Empire and as a strategic crossroads for Asian merchants sailing between China and the
Southern Seas, it is now embedded within the ‘fragmentation trade’ system. In this new
configuration, Singapore is now used both as a logistical platform with a pivotal role in forming
supply-chains in the region, as a high-tech manufacturing platform and as a services and control
center for transnational corporations’ operations dispersed throughout the region (Aminian et al.
2007; Doner et al. 2000). Thus although it is still strongly focused on Southeast and East Asia,
Singapore’s physical trade has now to be explained in relation to global production networks and
global organizing logics.
Within the broader framework of transnational corporations’ operations, the consolidation of an East-Asian trade system is to be understood as the result of the dissemination of production processes throughout Pacific Asia, mainly in the electronics industry. In this configuration, Singapore has secured a position as a logistical hub for linking, coordinating and servicing fragmented production operations in Southeast Asia (Aminian and al. 2007), as a centre for dispatching parts and components produced within ASEAN countries to China for assembly and as a high-tech assembly and capital-intensive offshore production platform. Thus although there are obvious strong morphological resemblances with pre-war trade patterns in terms of geographic span, the fact remains that Singapore’s position as a linking point between different commercial networks has been reconfigured to fit into the integrated value chains that link offshore production plants with final markets within transnational corporations’ networks. And this shift in Singapore’s position within new economic patterns is underpinned by a radical re-arrangement of its first historical resource endowment, namely geographic location.

Singapore’s ability to become a major trading hub resulted, as already noted, from its physical location. This advantage was supplemented by the attribution of free port status, thus turning the city into the first iteration of a new economic doctrine founded on private trade, which was then growing in importance (Ken 1978). Before independence, free trade, technological advances in transportation and external economic circumstances had driven the growing volume of cargo passing through Singapore, as the city became the gateway for regional raw materials entering transcontinental trading routes. In order to be sustained, this continuous growth required a continuous overhauling of Singapore’s “soft” and physical infrastructures. As infrastructures developed, what was originally a geographic advantage was turned into an increasingly sophisticated logistical infrastructure which, in turn, strengthened Singapore’s position within trade networks and made it less reliant on sheer geographic coordinates. At independence, Singapore was endowed with exhaustive comprehensive mix of infrastructures, with one of the busiest ports in the world, a sound legal system and a well-developed trade finance sector. This infrastructural depth was to offset the decreasing relevance of space as an organizing economic principle and played a significant part in attracting foreign capital to the newly independent country. Moreover, the government was fast to take a pro-active approach in upgrading these increasing resources in fixed capital: the continuous upgrading of physical infrastructures to support and sustain the increasing inflows of foreign capital was indeed undertaken mainly by the state (Perry et al. 1997a; Trocki 2005, 167), working through government agencies or “government linked companies” (GLCs), and they have proved very efficient in accommodating foreign companies by channeling large volumes of national savings and, later, budgetary surpluses into infrastructure building.

However, the government’s strategy of advancing up the value chain within the regional organization of transnational companies’ operations required not just enhanced physical infrastructures. As organization became an increasingly important factor in firms’ competitiveness (Veltz 1996), "soft infrastructures", in the form of support services, developed rapidly. In turn, economic sectors grew out of historical services such as trade finance and insurance which, although originating in the entrepôt trade, had become detached from physical trade per se, thereby reducing their historical dependency on geography. Thus the financial sector increasingly grew away from its origins in trade finance. The opening in 1968 of the Asian Dollar Market*, an offshore euro-dollar market, has allowed Singapore to develop both as the world’s fourth biggest foreign exchange market, the second in Asia after Tokyo, and into a major wealth management center, deeply embedded in the
constellation of offshore markets. In the same way, the growth in business and financial services and a growing pool of skilled labor were used to leverage Singapore’s position as a major trading hub for physical trade in order to promote the growth of local merchanting and merchandizing activities, which sparked off a fast growth in offshore trading.

As a result, Singapore’s economy changed from being a logistical platform and low-cost offshore production plant for transnational corporations looking to relocate their labor intensive operations at the turn of the 1970s and instead became a comprehensive services platform and high-tech manufacturing center, thus gaining in depth and diversity. As these changes occurred, Singapore’s critical position within the shifting configurations of economic geographies changed, turning a fragile yet powerful assemblage of geography and political status – that of free port - into a highly constructed position. In this respect, the city has come to rely less on distance and location than on an intricate and carefully designed "ecosystem" that encompasses physical infrastructures and immaterial goods, such as a highly reliable legal system, a well-developed financial sector and liberal immigration policies toward skilled immigrants, and such intangible elements as a clean atmosphere, now a significant differentiating factor in the competition with Hong Kong to attract foreign companies, or a strengthening reputation for providing one of the best "living environments" in the region. This complex urban ecology, which has driven Singapore on the path towards global city status (Sassen 2001; Olds and Yeung 2004), has succeeded in changing Singapore's historical position and embedding it in the new geographic regimes of globalizing economic forces. This shift from a strong reliance on geographic coordinates within an economic geography structured by Euclidian distances towards the more complicated time-spaces of the new economic geographies is maybe best epitomized by Singapore’s changing position as an oil trading center.

During the interwar period, Singapore had been used by oil companies as a place to collect and blend petroleum extracted in Dutch India and British Borneo. Operations in Singapore were then restricted to handling, storage and shipping. At independence the government took a very liberal stance toward the petroleum trade, basically sticking to the British free-port policy. Moreover, geography and tax policies were complemented by heavy investment in physical infrastructures: in the 1980s the government reclaimed a large area of land by merging several islets off Singapore’s Southern coastline to form Jurong Island, where it invested heavily in infrastructures in order to facilitate oil companies' operations. This move efficiently supplemented geography as an important incentive for oil companies to make Singapore their preferred base in Asia for oil trading (Ramasamy 2007).

Investments were planned with two objectives in mind: on the one hand, to integrate as much as possible of the industry’s value chain within Singapore and, on the other hand, to use the oil industry to develop and strengthen adjoining economic sectors. This development strategy positioned Singapore as a major player in the offshore oil extraction industry, as a high-tech logistic platform for handling oil cargo and as the third largest oil refining center worldwide (Tong 2007). At the same time, infrastructures and its geographic location between the Middle East and Pacific Asia and between Southeast Asia and East Asia helped secure Singapore’s position as the first processing and trading center for petroleum products in Asia in a fast changing environment: as countries throughout the region developed their own refining plants, Singapore kept pace with these new organizing logics by occupying an economic niche as a regional swing supplier. Moreover, the gradual erosion of oil production has been countered by the rapid diversification of processing industries into a booming petro-chemical manufacturing sector, which has consistently contributed 30% of the city’s
total production output and which accounted for 11% of total value of exports in 2003 (Pillai 2006). Lastly, Singapore’s position as an oil trading center in turn generated a thriving commodity exchange and derivatives market, the value of which had surpassed that of physical trade by 2004 (298 billion and 260 billion Singapore dollars respectively) (Hong 2007). Singapore’s position has thus shifted over time from that of an oil entrepôt to that of an integrated energy hub with integrated value-chains, from extraction, industrial development to shipping, from research and development to legal, insurance and financial services (Hong 2007, Pillai 2006).

More generally, just as the petroleum cluster has come to sustain a broad range of industrial and services activities, so Singapore’s attempt to move up the value chain within transnational corporations’ operations in order to retain its position as a trading hub has produced an increasingly sophisticated and integrated economic environment, which has proved able to generate service sectors less dependent on geographic location. The point is that this growth in business and financial services has, in turn, nurtured and reinforced Singapore’s position as a major trading hub and its appeal for transnational corporations wishing to settle in the Pacific Asia region. In this regard, Singapore has succeeded in reinventing its initial resource – location - within economic logics predicated upon new time-space compression regimes. The city is now both less reliant on old spatial economies and more closely integrated into the emerging “archipelago economy”.

**Conclusion:**

By anchoring its early economic development in foreign capital, Singapore became the center piece of a then emerging “archipelago economy”. This strategy has shaped the country’s economic development ever since. As Singapore’s political and economic elites continuously re-invented the city to keep pace with the fast shifting needs of global capital, the metropolis came to offer an increasingly sophisticated environment, which now arguably makes it a “global city” (Sassen 2001, Olds and Yeung 2004). In the process, Singapore reduced its historical dependency upon geographic location as it came to rely on this integrated environment in order to consolidate its position within economic geography and to move up the value chain within the networks of transnational companies’ disseminated operations. This process of economic restructuring has now entered a new phase, as some of Singapore’s enterprises, backed by the government, have started to venture abroad, thus entering the field of transnational corporations (Pereira 2009) in a move to lessen the city’s historical reliance on FDI. Indeed, for a country so reliant on transnational capital, seeking new forms of relevance within the global economy is somehow a never-ending and stressful process, into which Singapore has been throwing all its energies for the past forty-five years. In this endeavor, the city has succeeded in turning what could have been a critical weakness, namely its economy’s over-reliance on external economic and political dynamics, into a viable economic model, as it was able to shape itself into an important node within the new layouts of a globalizing economy.

And yet its deep embeddedness in transnational capital circuits still leaves Singapore overexposed to exogenous political and economic circumstances. This fragility is deeply lodged within the political thinking of the political and administrative elites (Siong and Chen 2007). This anxiety has fueled the endless rush for competitiveness within the shifting global logics of capital accumulation, which has driven Singapore’s efficient and successful attempts to move up transnational value chains, the rapid diversification of the entrepôt economy and the strong growth of a national industry that has cleverly
leveraged on foreign transnational corporations to grow both in assets, as Singaporean corporations, mainly government linked companies, captured vast amounts of public capital invested in infrastructures, and in skills, as public policies favored joint ventures with foreign companies. Nevertheless the question remains whether the city’s growing economic depth, increasingly distinctive combination of hard and soft infrastructures and the broad range of its trading links is enough to offset its enduring reliance on external trade. If the ongoing economic downturn can be said to provide any clues, it is worth noting that, after slow growth in 2008 and a contraction in economic activity of 2% in 2009, Singapore is forecast to be the world’s second fastest growing economy in 2010, just after Qatar.

Another puzzling challenge is that of the region’s increasing economic polarization around China, which is reorganizing Pacific Asia’s economic geographies. In this regard, it is difficult to anticipate what the outcomes of this move are going to be for Singapore. It is still largely disputable whether being close to China but outside Greater China is going to give Singapore a competitive edge or, conversely, undermine Singapore’s regional and global position.

Finally, from a more political point of view, the coercive stance the government has adopted towards its citizens since independence is also at issue. Indeed, it is both a crucial factor in the city’s ability to keep pace with global economic dynamics through fast and sometimes painful social and economic restructurings and, increasingly, a source of weakness as the balance between social discipline and economic achievement is being questioned more and more. What is at stake is Singapore’s ability to adjust its position as it has done so far in order to keep up with the fast pace of global economic reorganizations and to make acceptable the associated social and political costs its citizens inevitably bear.

Notes:

1 Let us mention Western merchants and agency houses, trading Straits produce against manufactured goods, Chinese merchants running the junk trade, who had a strong hold on Straits produce and staple production and were very active in the opium trade, and regional traders such as the Bugis, who supplied the archipelago.

2 A good example is the very different commercial practices that distinguished the tributary system, which linked East-Asian countries, from the treaty ports system (Preston 2007; Latham 1994; Hamashita 2003).

3 S. Sassen defines a tipping point as the time-space where institutions, taken in a broad sense, tip into new historical circumstances and are reframed accordingly, both developing into new patterns and retaining historical continuities.

4 In this emerging geography of regional coordination operations, the position of Hong Kong is somehow uncertain, as it is challenged by mainland China cities such as Beijing and, in a lesser extent, Shanghai (Hw Yeung, Poon, and M Perry 2001b; Phelps 2007; Ho 2009).

5 In 2004, Singapore’s trade intensity indexes with commercial partners were 1.68 with East Asia, with a strong bias towards China and Hong Kong (3.28). With ASEAN countries the ratio was 5.63, whereas the persistence of
Singapore’s trade integration with its historical Malay hinterland is clearly shown, with respectively 11.52 for Indonesia and 10.93 for Malaysia (compiled from Asia Development Bank’s data sets).


vii Among the top ten sources of FDI in Singapore for 2006 were Switzerland, British Virgin Islands, the Bahamas, Bermuda and the Cayman Islands, all well-known offshore financial centers. Symmetrically, this integration is also shown by Singapore’s FDI abroad, where the first destination is the British Virgin Islands, ahead of China, and where Mauritius (which is often used as a channel for investments in India) and Bermuda (the world’s leading offshore insurance center) also enter the top ten.

viii Offshore trade reached a total volume of 465 billion US dollars and contributed 7.8 billion US dollars to GDP through business spending. (Channel News Asia, May 20 2008).

ix See for instance: The Straits Times, January 5 2009.

* A territory’s ability to emerge as an important location within the circuits of transnational capital does not rely so much now on the physical geography of Euclidian distances but rather on the depth of an integrated blend of human capital, cultural goods, and physical infrastructures among others (Sassen 1998; Sassen 2001).

xi As at 2009, Jurong Island had received about 30 billion Singapore dollars of cumulative investment in fixed assets (SEDB 2009).

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