

## ViewPoint

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### Don't Say Goodbye to Another Company

For one reason or another, I recently sat in a board meeting of a rapidly growing hi-tech company currently based in New Zealand. The question came up where the company should make its base in the future. The three directors, all New Zealanders - one original, one from Australia and one from the UK came to the view, in spite of all emotional ties, to relocate to Singapore – in the best interests of the business.

Development support, taxation and a free trade agreement with the USA, all key reasons. The following excerpt from a report on the development of Singapore has a story to tell. The complete document can be seen at <http://www.adbi.org/files/2005.11.28.cpp.singapore.industrial.policy.pdf>.

*“Conclusion: On the eve of political independence in August 1965, sceptics questioned and believers worried over the future of the small city-state and its political and economic viability. The Singapore nation-state and economy has not collapsed and its political and economic successes have far exceeded expectations.*

*On the economic front, Singapore has achieved high and sustained growth to result in a per capita income and standard of living among the highest in Asia and the world. Singapore has overcome its physical constraint by adopting the region and world as its economic hinterland, through policies that foster free trade and free flow of investments. It has leveraged on its geographical advantage and developed an infrastructure that links it efficiently with the world. Without natural resources, it has accumulated huge financial resources, human resources, modern economic and social institutions. Singapore has considerably improved its national balance sheet in the past 40 years.*

*Former Prime Minister and current Senior Minister, Goh Chok Tong noted that innovative policies in anticipation of future trends and to meet the challenges and opportunities of a changing external environment have characterized Singapore's continuing economic success.*

- *When Stamford Raffles landed in Singapore in 1819, he saw the potential of turning the swampy island into a “great commercial emporium” and, in a clear break from prevailing mercantilist practices, decided to make Singapore a free port. In just 40 years, Singapore recorded an annual trade of 10 million pounds sterling.*
  
- *In the 1960s and 1970s, when it was fashionable to be anti-colonial and anti-MNC, newly-independent Singapore welcomed Western multinational companies (MNCs) and became the first and strong advocate of an open, MNC-based economy. The Singapore Economic Development Board pioneered the “one-stop shop” concept to service foreign investors. While Singapore has grown in partnership with MNCs over the past 40 years, this economic model is no longer unique as it has been widely adopted elsewhere since. The new economic strategy that Singapore has embarked on for the 21<sup>st</sup> century comprises three critical aspects.*
  - Ø *First, Singapore has sought to overcome its geographical constraints through innovative policies to enlarge its economic space, to turn Singapore into a global city serving the region and the world with a large pool of foreign talent and enterprises from all over the world. In recent years, Singapore was among the first to push for bilateral FTAs.*
  
  - Ø *Second, to maximize human potential through education, to underpin the drive towards innovation. The Singapore education system has been extremely successful in producing competent and disciplined workers, but is being revamped to nurture a spirit of enquiry, innovation and enterprise.*
  
  - Ø *Third, Singapore is committing more resources to intensify R&D efforts. A Research, Innovation and Enterprise Council (RIEC), chaired by the Prime Minister, is being established. A National Research Foundation is also being formed. The government will help companies link up with public research institutes, as well as encourage more private sector players to base R&D activities in Singapore. The aim is to nurture more Asian innovations with a global focus.*

*Singapore continues to anticipate trends as it views its future. Accelerated globalization and technological change, together with the rapid economic development of Southeast Asia and the economic rise of the Peoples’ Republic of China (PRC) and India, are pressuring the Singapore economy to restructure and reinvent itself so as to remain competitive. The free trade and free investment model which gave Singapore a competitive edge is being increasingly emulated by countries in the region. With rising land prices, wages and business costs, the cost advantage of Singapore is rapidly eroding.*

*The phase of investment-driven growth has ended and Singapore must depend increasingly on innovation-driven growth. Singapore has to accelerate the development of three capabilities - produce a more educated and skilled workforce; produce more dynamic and innovative domestic entrepreneurs; and produce more indigenous innovations and R&D to strengthen core capabilities.*

*Domestic capabilities, where inadequate, have to be enhanced and leveraged by accessing international skills, talents, entrepreneurship and innovations. Are there lessons from Singapore's development experience and development and industrial strategies? Singapore's export-led and Foreign Direct Investment (FDI) led industrialization has lost its uniqueness as countries in the East Asian region, including PRC, followed suit. However, countries should also learn from the experiences of the Republic of Korea and Taipei, China in fostering a dynamic and vibrant domestic entrepreneurship.*

*Other characteristics of the Singapore development experience are worthy of study by other developing economies - the vision, competence and probity of its political leadership and bureaucracy; promote economic efficiency through exposures to global competition; emphasis on human resource development and infrastructure development to support the private sector; consistency and coherence of its FDI policies; maintaining social cohesion through its ethnic and language policies, and ensuring the welfare of workers through policies to promote full employment, provision of social safety net through the Central Provident Fund, provision of public housing, quality education and healthcare at affordable cost."*

Given we are not doing much to attract business into New Zealand, a starting point might be to develop policies that will stop them leaving and maybe those very policies will start to bring business here, because here is a good place to be.

An objective for policy setting – to prevent the loss of a single business because the grass is greener somewhere else – might be a good starting point.

We can but hope.

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