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State intervention and neoliberalism in the globalizing world economy: lessons from Singapore's regionalization programme

Henry Wai-chung Yeung

Abstract The recent 1997-98 Asian economic crisis has thrown Asia's divergent pathways to development into serious question. Protagonists of neoliberalism argue that their agenda is now becoming a global orthodoxy when several ailing Asian economies have accepted IMF packages which come with neoliberal economic programmes. Drawing on lessons from Singapore's regionalization programme, this article contends that it is far too early to conclude that Asian developmental states are giving up their governance of domestic economies. Instead, there is evidence that these Asian developmental states are re-regulating their domestic economies to ride out of the economic crisis. The article first starts with the debate between neoliberalism and state developmentalism in our understanding of global political economy. It then examines the political economy of Singapore's regionalization programme through which Singapore-based transnational corporations are strongly encouraged by the state to regionalize their operations, followed by a critical discussion of the impact of the recent Asian economic crisis on the re-regulation of the regionalization programme by the state in Singapore. Some lessons for Asian emerging economies are suggested in the concluding section.

Keywords Globalization; neoliberalism; state intervention; Singapore; foreign investment; Asian economic crisis

Henry Wai-chung Yeung is Assistant Professor at the Department of Geography, National University of Singapore. He is the author of *Transnational Corporations and Business Networks* (Routledge, 1998), editor of *The Globalisation of Business Firms from Emerging Markets* (2 vols) (Edward Elgar, 1999) and co-editor of *Globalisation and the Asia Pacific* (Routledge, 1999) and *The Globalisation of Chinese Business Firms* (Macmillan, 2000). He has over thirty research papers published or forthcoming in internationally refereed journals

Address: Department of Geography, National University of Singapore, 1 Arts Link, Singapore 117570. E-mail: geoywc@nus.edu.sg

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Introduction

As the world economy becomes increasingly interconnected and interdependent, both an enabling mechanism and an outcome of economic globalization, the governance of capitalism in national economies is being thrown into light as a rather thorny issue. The crux of this 'governance problem' in an era of accelerated globalization is related to the role of the nation-state. Should the state intervene in development processes? Or should it refrain from direct intervention and take a back seat as a 'night-watchman', leaving the optimal solutions of economic problems to Adam Smith's 'invisible hand'? It has been argued by many scholars of global political economy that the latter approach to governance, collectively known as neoliberalism, has emerged as the dominant political and economic strategy in governing today's globalizing world economy. Certainly in America and Britain, neoliberalism has been hailed as an institutional fix to resolve global-local tensions arising from the need for capital to globalize its productive capacity and for labour to localize jobs and employment (Jessop 1994; Tickell and Peck 1995). In contrast, the developmental state in Asia has long been experimenting with another form of institutional fix to resolve these tensions of globalization. According to this 'statist' view, direct intervention is the key instrument deployed by the developmental state in Asia to regulate its burgeoning domestic economy (Deyo 1987; Haggard 1990; Wade 1990; Appelbaum and Henderson 1992; Aoki *et al.* 1997). This difference in capitalist economic organization between Asia and America/Europe has created what is known as different varieties of 'capitalisms' (see Berger and Dore 1996; Safarian and Dobson 1997; Hefner 1998; Whitley 1998).

The recent Asian economic crisis in 1997-98, however, has thrown these divergent pathways to economic development and governance into serious question. Protagonists of neoliberalism argue that their agenda is now becoming a global orthodoxy when several ailing Asian economies have accepted IMF packages which come with neoliberal economic programmes (Lim 1997, 1998; Rosenberger 1997; Jomo 1998; Rao 1998; cf. Bello 1998; Haggard and MacIntyre 1998; Wade and Veneroso 1998). Other Asian states have also faced tremendous pressure from global capital and international organizations to carry out structural reforms through which strong state intervention in national economies is fast becoming an historical past. As Bello (1998: 439) alluded, '[s]o dominant has free market ideology become in international elite discourse that even its opponents in government and business [in Asia] - with the singular exception of Prime Minister Mahathir of Malaysia - mouth its platitudes while opposing it in practice'. This neoliberal global orthodoxy is prescribed as a bitter 'pill' to be 'swallowed' by troubled Asian states in order for them to regain their membership in the 'globalization club'. This logic of globalization as a universal and inevitable process impinged externally upon these Asian economies

is clearly questionable. I would argue that, in fact, these Asian economies are themselves key players in the global economy (see also Dicken and Yeung 1999). To a large extent, they are also important components of globalization. As such, globalization does not have a life of its own without the role of nation-states as its constituency and supporters. As a material process of global economic interpenetration, globalization contains certain illogic(s) (Jessop 1999). It is mystified and deployed through political discourses, in particular neoliberalism, to create its own conditions of existence (Yeung 1998a; Kelly 1999). Globalization is discursively constructed amidst the Asian economic crisis as an external 'objective' force to discipline 'corrupt' and 'statist' economies in the region. Are we then going to observe a universal convergence in the mode of economic governance at the national scale just because something at the global scale, mystified as globalization, requires us to open up and liberalize our economies? Are we prepared to demolish national institutional structures and regulatory 'fixes' to succumb to the 'free' market forces in this neoliberal globalization discourse?

Drawing upon lessons from Singapore's regionalization programme, this article contends that it is far too early to concede that Asian developmental states are giving up their institutional capacities in governing national economies. Instead, there is evidence that these Asian developmental states are re-regulating their domestic economies to ride out of the ongoing economic crisis. Instead of forcing states to reconcile with the neoliberal orthodoxy, globalization indeed has created more tensions for resistance and re-regulation. In the context of the Asian economic crisis, I would argue that globalization and its crisis tendencies have activated the institutional capacities of developmental states to be more proactive in economic governance. Certainly in the case of Singapore, the state recognized the role of the city-state in the global economy as early as its independence. Since the mid-1980s, it has been spearheading its regionalization programme. In the midst of this Asian economic crisis, the state continues to play a leading role in enhancing the competitiveness of national firms to gain a foothold in the global marketplace. There is, however, a qualitative distinction in the nature of the state's role in Singapore's regionalization programme which needs to be drawn here. After a brief period of globalizing national firms during the late 1980s, the state in Singapore realized that these national firms lacked sufficient competitive advantages to succeed in the global marketplace. The focus in the succeeding period during the 1990s was placed on regionalization through which Singaporean firms were strongly encouraged to venture into the Asian region (Yeung 1998b, 1999a).

I argue that the recent Asian economic crisis is likely to throw this regionalization drive out of track as many host Asian economies have suffered from severe economic recessions and will not recover within the next five years or so. Instead of surrendering its institutional capacities to

global tensions, the state is qualitatively more involved in developing Singapore's external economy.[1] On the one hand, it continues to strengthen the competitive advantages and organizational capabilities of national firms through various state assistance programmes and the restructuring of government-linked companies (GLCs). This form of 'regulating' the emergence of Singapore-based transnational corporations (TNCs) does not differ much from the experiences of Japan and South Korea in their early phases of development (Yeung 1994, 1999a). On the other hand, the state is steering a U-turn in the geographical focus of outward expansion of Singaporean firms from regionalization to globalization. To ride out of the Asian economic crisis, it becomes imperative for Singaporean firms to expand into growth regions in America, Europe, South Asia and the Middle East. This globalization drive requires more developmental efforts by the state in Singapore.

The article first begins with the debate between neoliberalism and state developmentalism in our understanding of global political economy. I argue that to transcend the intellectual impasse of the dichotomy between neoliberalism and statism so commonly found in the popular literature and mass media, we need to conceptualize the embedded relationship between economy and state. I then examine the political economy of Singapore's regionalization programme through which Singapore-based TNCs are strongly encouraged by the state to regionalize their operations. The impact of the recent Asian economic crisis on Singapore's regionalization programme is examined in the penultimate section. Some lessons for Asian emerging economies are suggested in the concluding section.

Contesting the globalizing world economy: neoliberalism, state intervention or embedded states?

The nature of ideal economic governance of national economies has always been a subject of heated debates in studies of political economy. The literature seems to be polarized by the debate between the neoliberalist view of market-led development and the statist view of intervention in development. Added to this dualistic view of global political economy is the role of globalization as a universal process capable of eroding the capacities of nation-states and harmonizing national differences in economic governance (Ohmae 1990, 1995; Horsman and Marshall 1994). It has been argued that neoliberalism provides the social regulation after Fordism because the rise of neoliberalism in the 1970s and 1980s coincided with the breakdown of Fordism and the apparently permanent collapse of Keynesian social regulation in the US and the UK. Neoliberalism is a political project that is 'primarily concerned to promote a market-led transition towards the new economic regime' (Jessop 1993: 29). According to Peck and Tickell (1994: 296), neoliberalism is capitalism's 'law of the jungle' which tends to break out when economic growth slows and social

compromises collapse. It is based on the twin principles of flexibility and supply-side innovation manifested in the following ways: (1) the liberalization of competitive market forces; (2) the abandonment of demand-side intervention in favour of supply-side policy measures; and (3) the rejection of both social partnership and welfarism. Some well-known neoliberal projects are Thatcherism, Reaganism, Rogernomics and Nakasoneism. They are meant to provide an 'institutional fix' after the collapse of Fordism-Keynesianism. By the 1980s, neoliberalism had effectively reigned in most parts of the global economy. International organizations such as the World Bank, the IMF and the GATT were both promoting and enforcing neoliberal policies throughout the capitalist world (Taylor 1997).

Neoliberal economic strategy, however, has its own flaws and contradictions (Tickell and Peck 1995).[2] First, there is a tendency towards social polarization with the possibility of either disruptive collective action or social breakdown. Second, it is unable to resolve growing social alienation from the Taylorist production process and the collapse of the social framework around which productivity gains could be shared. Third, it tends to exaggerate swings in the business cycle. As a result, macroeconomic crashes and crises are a constant threat. Finally, there is a tendency in neoliberalism to exacerbate structural imbalances and deflation as nation-states respond to global competition by adopting beggar-thy-neighbour economic policies. There is much evidence of neoliberal economic ideology, for example, in the competition for Japanese investment among different European countries and different federal states in the US. In Asia, the deregulation of financial markets during the early 1990s was premature and ill-fated because much of the subsequent capital inflows, seduced by the promise of much higher returns, went into such unproductive activities as speculation in stock markets, property development and glorifying national projects. Though this is only one culprit behind the recent Asian economic crisis, it is clearly an important one. Neoliberalism, as an economic ideology in favour of market mechanisms, represents 'a regulatory hole, one which has elements of market regulation but which represents the *absence* of a new institutional fix' (Tickell and Peck 1995: 369; original italics). Neoliberalism is simply inadequate for the task of regulating capitalism, let alone solving its crisis. It has rather become part of the capitalist crisis and a regulatory problem (Sassen 1996; Evans 1997; Weiss 1997). Neoliberalism thus represents an institutional vacuum and the search for an institutional fix becomes important in view of crisis tendencies in the global economy today.

Though not as a response to neoliberalism *per se*, one such institutional fix widely adopted in Asia in the past three decades has been the 'developmental statist model' of economic organization. To date, many theoretical and empirical studies have been conducted to test Johnson's (1982) idea of 'developmental state' or the so-called 'statist' interpretation of

Asian economic 'miracle' (Amsden 1989; Haggard 1990; Wade 1990; Appelbaum and Henderson 1992; Douglass 1994; Bernard 1996; Brohman 1996; Sung 1997; Yeung and Olds 1998). Even the World Bank (1993) has implicitly endorsed this state intervention in the economic development processes of Asia as good governance and market-friendly intervention (cf. Kiely 1998). Why is it then that the same formula behind the 'Asian economic miracle' turned out to be its own undoing in the context of the recent economic crisis? What has gone wrong with the developmental states of Asian economies? To many neoliberal observers of recent events in Asia, the evils of the Asian economic crisis are argued to be corruption and 'cronyism' which originated from the self-interested and utility-maximizing behaviour of state officials (e.g. Lim 1997; Rosenberger 1997). Championed by the IMF, the standard neoliberal prescription for the Asian economic crisis is to get rid of state intervention altogether and liberalize near-bankrupt economies further to attract global capital in order to reverse short-term capital outflows. This totalizing anti-state prescription, however, is unlikely to be able to replace the role of the high-debt development model in Asia (see Wade and Veneroso 1998). In this IMF interpretation, the state is clearly seen as a separate realm of the economy and can be unplugged from its involvement in economic governance. Kiely (1998: 75; original italics) noted that '[t]he state is seen as the problem - it intervenes too heavily. It is also seen as the solution - it must reform itself in order to allow for wealth creating activity. But if states are *purely* self-interested, then why should state officials carry out the necessary reforms?'. Neoliberalism, in its essence, is to blame everything that does not work on the works of the state and to credit everything that works to the 'free' market. The greatest inconsistency in this logic is that no matter how 'free' it is, every market is an outcome of state action.

As such, I will argue, markets are always embedded in the state as well as individual choice. Neoliberalism ignores the inequality and uneven development inherent within capitalist accumulation. Markets are unable to address these structural imbalances precisely because they are inherent in the free-market system. The role of the state then is to 'intervene' selectively and become market 'unfriendly' in that process. This is exactly what the developmental states of several Asian economies did in the past three decades: 'intervene' in the market in order to 'beat' the market. This 'embedded states' view rejects a conceptual separation between economy (in which the market is located) and state. The state thus has an indispensable role in promoting all spheres of market activities, including production, circulation and consumption. As such, it is no longer a question of choosing between neoliberalism and state intervention because the measurement of state role is not operationalized by its degree of intervention. As Block (1994: 696, original italics, cited in O'Neill 1997: 294) conceptualizes this 'qualitative state':

> The new state paradigm begins by rejecting the idea of state intervention in the economy. It insists instead that state action *always* plays a major role in constituting economies, so that it is not useful to posit states as lying outside of economic activity.

There are four major tenets in Block's (1994) arguments for the 'qualitative state'. First, economy is necessarily a combination of markets, state action and state regulations (see also Block 1990, 1991). Second, markets are state-constrained and state-regulated, thereby incapable of operating in a neoliberal environment. Third, capital and the state have conflicting goals which cannot be achieved simultaneously nor independently. Finally, the idea of economy originates from the dichotomy of markets and states in classical economic thought. This results in our ignorance of multiple forms and organizations of economy (cf. political economy). Together, these tenets oppose strongly to the idea of a separate economy and an autonomous state in both neoliberal and statist perspectives. Whereas the former is guilty of idealizing a 'public goods state', the latter constructs the state as occupying an *a priori* position external to the economy.

Dynamics of the developmental state in Asia: the internationalization of capital and state

If the economy is embedded in the state and vice versa, should we not reassess the role of the state in regulating and governing the economy? Although a comprehensive theorization of the role of embedded states is impossible in this article, I would like to develop conceptually the role of embedded states in the internationalization of domestic capital in the context of Asian economies. I argue that the state has vested interests in the internationalization of domestic capital (private and public) in both material and discursive terms. In material terms, the accumulation process of domestic capital may reach a saturation point when the domestic market potential is fully realized and/or when the penetration of the global market through international trade is increasingly difficult because of trade barriers and other structural constraints. There is a strategic necessity for the direct involvement of the state in the internationalization of domestic capital in order to reproduce its legitimacy at home. In discursive terms, a state can export its domestic economic problems through the discourses of globalization. By relegating the legitimizing device discursively to the global scale, a state is able to convince trade unions and labour organizations to cooperate so that the competitiveness of its domestic capital can be strengthened and the possibility of its successful internationalization can be enhanced (e.g. South Korean *chaebols*). The existence of TNCs (internationalized capital) thus is critically dependent on the action of embedded states because it is in the interests of the latter if the former succeeds in capital accumulation on a global scale.

This framework focuses on the relative advantages of different institutional arrangements in explaining the actual or potential coexistence of the state and TNCs (see Pitelis 1991, 1993; Yeung 1998a, 1998b). This mutual dependence and induced cooperation between the state and TNCs exist because they share the common objective of raising the global surplus of capital by exploiting the benefits from the divisions of labour and team work. The state- TNC relationship reflects therefore their extent of collusion and rivalry and the strength of the state (measured by its efficacy in shaping political and economic action). Because its existence depends on its legitimating ability in terms of the exploitation and creation of nationalism, a weak nation-state needs foreign capital (e.g. foreign TNCs) to sustain domestic growth and development through continuous capital accumulation. The state may collude with foreign capital to sustain national competitive advantage in the global economy (e.g. Singapore). If it fails to attract investment from foreign capitalists, the weak state will face a legitimacy crisis which may culminate in the eventual decline of its power and hegemony. If it wins the support and cooperation of foreign capitalists, the state may survive the erosion of its hegemonic power. Subject to its ability in resolving the legitimacy crisis, the state may regain its power and authority through an appropriate configuration of collusion and partnership with global capitalist institutions (e.g. TNCs). Its competitive position *vis-à-vis* other states can also be enhanced through incorporating transnational capital in its national development.

A strong state, on the other hand, is not obliged to collude with international capitalist institutions, particularly when transnational capital begins to threaten its autonomy and hegemony. Such a threat may arise from the demands of transnational capital to expose the conflicting class nature of the state which contributes to the diminishing legitimizing ability of the state. The state may also face increasing demands from interest groups from within the domestic economy. The potential for rivalry between the state and foreign TNCs becomes real. A strong state may perceive foreign TNCs as rivals to its grip on political power and legitimacy. It may limit the participation of foreign firms in state-sponsored collaborative ventures (Reich 1991; Dicken 1994). Over time, even a strong state may face a legitimation crisis when its existing economic development strategies run out of steam in an era of accelerated globalization and global competition. It must search for an alternative 'institutional fix' to reproduce and sustain the capital accumulation process before it is too late. It is in this institutional context that Asian states have chosen alternative development strategies to compete in the global economy through nurturing their own 'national champions' (Yeung 1994, 2000). After three decades of intensive industrialization effort and active participation in international trade, Asian economies begin to experience the limits to growth and turn to the global economy as their hinterland, via foreign direct investments, for access to technology and markets and sites of

production. The state seeks partnership with domestic capital to extend the economy across national boundaries in order to legitimize further the role of a strong state in economic development. Through strategic industrial policies and selective involvement, the state provides the institutional foundation for the globalization of national firms so that 'a TNC's domestic environment remains fundamentally important to how it operates, notwithstanding the global extent of some firms' operations' (Dicken 1994: 117). Emerging TNCs have very much become a product of their local embeddedness in the institutional context of their home countries (Dicken and Thrift 1992; Yeung 1994, 1998c). The state in East and Southeast Asian countries, for example, often gets directly involved in the internationalization of national firms. What then is the experience of the Singaporean state in promoting the regionalization of domestic firms? What is the impact of the recent Asian economic crisis on the role of the state in Singapore's drive to develop an external economy? These are the key issues for the following sections.

The political economy of Singapore's regionalization programme

Economic development, argued by Leftwich (1993: 620, original italics, cited in Kiely 1998: 74), 'is not simply a managerial question, as the World Bank's literature on governance asserts, but a political one. For all processes of "development" express crucially the central core of *politics*: conflict, negotiation and co-operation over the use, production and distribution of resources'. The key issue here is to understand the politics and political economy of economic development, not just the technicalities of 'good governance' in the eyes of neoliberal international institutions. Kiely (1998: 79) thus notes that 'it is not just a question of state policy per se (although this is important), but of the social context in which particular states operate'. In this section, I examine the origins of Singapore's regionalization programme in the context of the politics of survival and the discourses of globalization in recent years. The impact of the recent Asian economic crisis on the regionalization drive is then assessed in the next section.

Singapore, as a major entrepôt in Southeast Asia, has relentlessly positioned itself *vis-à-vis* the global spaces of flows (see Rodan 1989; Low *et al.* 1993; Huff 1995; Perry *et al.* 1997; Low 1998; Mahizhnan and Lee 1998). Since its independence in 1965, the PAP-led state has planned and implemented several national development strategies to create and sustain Singapore's competitiveness in the face of accelerated global competition. In that sense, the global economy has always been Singapore's 'hinterland' and the city-state has always been a key player in the globalization of economic activities. While the state was able to pursue a labour-intensive export-oriented manufacturing platform for industrialization in the

1960s and 1970s, the strategy met its favourable global conditions when major American and European manufacturers were looking for alternative low-cost production sites to relocate their labour-intensive operations (an early process of economic globalization). The competitiveness of the Singapore economy then was heavily based upon the state's ability to exercise labour control and discipline, coupled with favourable political stability and geographical location. By the late 1970s and early 1980s, Singapore was no longer competitive in attracting low-cost manufacturing assembly investment because cheaper production locations could be found throughout the world, notably in neighbouring Asian developing countries. The strategy of low labour cost pursued since independence had also backfired when systematic distortions in the labour market resulted in severe labour shortage. The lack of investment in indigenous technological capabilities also contributed to low value-added activities by domestic enterprises. By the late 1970s, Singapore faced a 'competitiveness crunch' in the changing international division of labour.

To regain its competitiveness in the global space of flows, the state revised its national strategies in favour of promoting high-tech and high value-added manufacturing and business services. The state firstly initiated a major industrial restructuring, the so-called 'Second Industrial Revolution' in 1979, through which labour wages were increased substantially to drive out labour-intensive manufacturing activities and labour productivity, and skills were upgraded to attract world-class high-tech manufacturing investments. This strategy worked well during the 1980s when Singapore was an attractive location for global corporations in computer and chemical industries. Second, the state introduced in the mid-1980s, through its various statutory boards, competitive packages of incentives to attract global corporations to locate their regional offices and/or regional headquarters in Singapore. The idea of promoting control and coordination functions of global corporations fits well into world city formation when Singapore aims to be a major international business hub of the region. The state now boosted Singapore's hub capabilities in world-class infrastructure, a highly skilful labour force and excellent business services. Third, after a major recession in the mid-1980s, the state recognized the vulnerability of Singapore's economy because of its over-dependence on foreign capital and the lack of indigenous entrepreneurship. In December 1989, the Singapore- Indonesia- Malaysia Growth Triangle idea was proposed by the then Deputy Prime Minister Goh Chok Tong in response to drastic industrial restructuring within Singapore and perceived complementarity among the three countries (Perry 1991; Parsonage 1992, 1994; Ho 1994; Ho and So 1997).

By the early 1990s, Singapore had been transformed into a regional coordination centre capable of significant R&D activities and management functions (Perry *et al.* 1998a, 1998b; Perry and Tan 1998; Mathews 1999). Although it had secured a niche in the competitive global economy, the

Singapore economy was still very much dependent on global capital and its major markets in North America and Western Europe. To consolidate further its national competitiveness and to enable the expansion of domestic capital, the state has initiated a regionalization programme through which Singaporean companies are encouraged to venture abroad. By building up its external wing, the state believes that Singapore not only can tap into the opportunities of the regional economy, but also can ride out of economic crisis in the domestic economy. The Department of Statistics (1991) estimates that at the end of 1976, FDI from Singapore was slightly above S$1 billion. As shown in Table 1, this figure had grown to S$1.7 billion by 1981, S$2.6 billion by 1986 and S$36.8 billion by 1995. In fact, private capital in Singapore has a much longer history of regionalization, particularly in Malaysia (see Yeung 1998d). The state's explicit encouragement of outward investment started immediately after the recession of the mid-1980s (Kanai 1993). These investment measures, however, initially emphasized the globalization of Singaporean firms into Europe and North America in order to promote a shift to higher value-added activities. They were ineffective because few Singaporean firms were capable of securing a marketplace in these advanced industrialized countries. For example, both Yeo Hiap Seng Ltd (a major local food manufacturer) and Singapore Technologies (a state-owned enterprise) had bitter experience in the US in the early 1990s (see Kanai 1993; *Far Eastern Economic Review*, 25 April 1996: 59). It was not until 1993 that the focus of the state was shifted to regionalization instead of globalization (see Table 1).

Senior Minister Lee Kuan Yew announced in January 1993 that the state was taking new initiatives to generate a bigger pool of local entrepreneurs and to building up the 'external wing' of the Singapore economy. This national strategic thrust is known as Singapore's 'Regionalization 2000'. SM Lee proposed that:

> We can change our orientation. We can alter our social climate to become more encouraging and supportive of enterprise and innovation. We can enthuse a younger generation with the thrill and the rewards of building an external dimension to Singapore. We can and we will spread our wings into the region and then into the wider world.
>
> (Quoted in EDB 1993)

SM Lee mooted this idea because most advanced industrialized countries had globalized their national firms to tap into resources, talents and markets in the global economy. The idea is to develop Singapore into a global city with total business capabilities so that Singapore can be not only an attractive manufacturing investment location for global TNCs, but also an ideal springboard to the Asia-Pacific region for these TNCs wishing to venture into the region (EDB 1995). The Prime Minister, Goh Chok

Table 1 Outward direct investment from Singapore by country, 1981-95 (in S$ million)

Country	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*
Asian countries	1,289.9	1,586.7	1,662.4	1,805.2	1,721.4	1,836.5	1,908.5	1,963.6	1,968.4	7,013.3	7,401.5	9,209.3	11,480.0	17,358.0	21,511.0
ASEAN	1,078.5	1,233.7	1,241.7	1,341.4	1,133.3	1,155.8	1,180.5	1,216.0	1,138.4	3,567.1	3,995.6	4,896.7	5,933.8	9,680.0	12,467.0
Brunei	3.7	6.0	9.0	49.1	52.9	50.0	54.2	57.4	56.6	66.2	69.4	88.5	91.2	77.0	37.0
Indonesia	39.5	39.7	44.4	56.3	65.0	67.7	58.6	59.8	53.3	224.8	267.3	328.1	517.3	1,997.0	3,448.0
Malaysia	1,006.9	1,162.3	1,162.6	1,209.1	971.8	985.6	1,008.4	1,030.8	971.6	2,790.1	3,121.1	3,916.5	4,656.7	6,500.0	7,305.0
Philippines	18.4	16.1	17.6	17.6	22.4	22.5	14.3	22.5	22.8	97.7	89.7	106.3	230.6	382.0	521.0
Thailand	10.0	9.6	8.1	9.3	21.2	30.0	45.0	45.5	34.1	388.4	448.1	457.4	438.1	723.0	860.0
Hong Kong	181.8	316.7	357.4	391.3	460.7	497.9	539.9	545.2	581.4	2,266.2	2,368.6	3,051.1	4,025.6	4,940.0	5,089.0
Japan	0.3	0.4	0.6	0.7	5.0	6.0	16.1	16.7	33.9	51.8	73.5	75.8	109.4	171.0	382.0
China	-	-	-	-	57.6	93.8	101.4	79.1	47.4	239.7	220.0	282.6	444.1	1533.0	2445.0
South Korea	-	-	-	-	-	-	-	14.8	15.9	-	-	-	-	-	-
Taiwan	12.9	14.8	24.9	27.1	32.9	37.8	26.0	54.3	86.0	494.8	287.0	349.5	354.5	496.0	530.0
Others	16.2	21.1	37.8	44.7	31.9	45.2	44.6	37.5	65.4	393.7	456.7	553.6	612.7	1,034.0	1,128.0
European countries	50.7	58.0	57.7	71.5	89.3	167.2	358.2	303.4	203.4	1,095.4	1,397.6	1,480.2	1,549.7	2,200.0	3,844.0
Netherlands	0.8	0.8	12.2	10.6	12.0	13.8	165.4	111.4	- 94.3	656.3	549.6	525.5	467.1	453.0	456.0
United Kingdom	49.7	57.2	43.1	43.9	45.9	81.8	48.3	49.3	50.4	300.4	322.3	351.0	360.6	930.0	2,435.0
Germany	-	-	-	-	-	-	8.6	8.6	23.4	-	-	-	-	-	-
Others	0.2	-	2.4	17.0	31.4	71.6	135.9	134.1	223.9	138.6	525.8	603.7	722.0	818.0	953.0
Australia	62.6	90.6	121.4	132.0	176.9	175.6	217.8	166.1	138.3	530.5	570.0	636.5	374.1	999.0	1,116.0
New Zealand	-	-	-	-	-	-	-	-	-	1,358.5	1,387.3	1,332.6	1,493.8	-	-
Canada	-	-	11.5	11.5	17.6	17.6	17.6	29.0	73.4	-	-	-	-	-	-
United States	31.8	44.3	47.5	54.4	66.1	65.4	69.3	107.7	160.0	689.7	1,303.9	1,589.5	1,755.1	1,681.0	2,036.0
Other countries n.e.c.	242.9	307.3	332.6	324.7	185.9	335.4	390.1	424.1	400.2	2,934.3	3,123.6	3,493.1	4,587.4	7,527.0	8,359.0
Total	1,677.7	2,086.9	2,233.1	2,399.3	2,257.2	2,597.7	2,961.5	2,993.9	2,943.7	13,621.7	15,183.8	17,741.3	21,240.2	29,765.0	36,866.0

Sources: Department of Statistics (1991), *Singapore's Investment Abroad, 1976-1989*, Singapore: DOS. Department of Statistics (1996), *Singapore's Investment Abroad, 1990-1993*, Singapore: DOS. Department of Statistics (1997), *Yearbook of Statistics Singapore, 1996*, Singapore: DOS.

Notes: Data from 1990-93 refer to direct equity investment. Direct investment abroad refers to the amount of paid-up shares of overseas subsidiaries and associates held by companies in Singapore. Direct equity investment refers to direct investment plus the reserves of the overseas subsidiaries and associates attributable to these companies. For overseas branches, the net amount due to the local parent companies is taken as an approximation of the magnitude of direct investment.

Tong, made it clear that '[g]oing regional is part of our long-term strategy to stay ahead. It is to make our national economy bigger, our companies stronger and some of them multi-national' (reprinted in *Speeches*, May- June 1993: 15). I have examined elsewhere different aspects of the state's involvement in the social regulation[3] of the regionalization programme (Yeung 1998b, 1999a): (1) the regionalization of GLCs and companies set up by statutory boards and (2) 'political entrepreneurship' through which the state opens up overseas business opportunities for private capitalists and negotiates the institutional framework for such opportunities to be tapped by these Singaporean firms. Today, the public sector and GLCs account for about 60 per cent of Singapore's GDP (Ministry of Finance 1993: 39; see also Singh and Ang 1998). These GLCs have become one of the primary instruments through which the state pursues the regionalization drive. The state has also tried to lead the regionalization drive by taking a direct equity stake in large infrastructural development projects in the region and by employing interstate relationships to raise the profile and image of its investment projects. This latter approach to regionalization is termed 'political entrepreneurship' which refers to the involvement of key politicians in opening up business opportunities for state-owned and private enterprises.

To a certain extent, Singapore's fortune is always intertwined with the global economy. But one distinctive feature of Singapore's national competitiveness is that it is very much a city (in a territorial sense) coupled with a strong state (in an institutional sense); a state with powers far beyond those of any local state. Unparalleled in the Asian region, this city-state has relied heavily upon developmentalism to legitimize its political power and control. The state's choice to pursue the strategy of global reach has been relatively uncontested, in part because the state has generated a political discourse of survivalism and ruthless competition; a discourse currently propagated in association with most discourses on globalization (Yeung 1998a; Kelly 1999). The state has constructed a view of geographical space which implies the deferral of political options to the global scale. In effect, the (contested) discourse of globalization 'itself has become a political force, helping to create the institutional realities it purportedly merely describes' (Piven 1995: 108). A recent example, taken from the annual budget statement by Dr Richard Hu, Finance Minister, makes the point well:

> . . . we have no choice but to be open and to compete in the *world* market to survive and prosper. We can grow faster by taking advantage of *global* markets and advanced technology . . . our openness exposes us inevitably to the fluctuations of *global* business and demand cycles. . . . Adapting nimbly to changes in the environment and staying relevant to *global* demand remains fundamental to Singapore's survival.
>
> (10 July 1997; my emphasis)

This discourse of survivalism and competition has sustained Singapore's competitiveness in the face of global competition, thereby legitimizing the state's control over most aspects of social life. It has also enabled the PAP-led bureaucracy to bypass the local politics typical in many Western countries (cf. Cox 1993, 1998; Brenner 1998).

The impact of the Asian economic crisis on Singapore's regionalization programme: the enduring role of the embedded state

To a large extent, the success of Singapore in plugging itself into the global spaces of flows results from the material embeddedness of the state in economic processes and the discursive mobilization of legitimacy by the state apparatus. All these happen within the context of accelerated globalization at the global scale and cooperative harmony at the regional scale. Since July 1997, however, the Asian region has been battling with the most serious economic crisis since the Second World War.[4] What then is the impact of the Asian economic crisis on well-established capabilities of the state in Singapore to govern and regulate its regionalization programme? What is or will be the state's response to these challenges of neoliberal globalization manifested in its crisis tendencies? While neoliberalists are quick to blame Asia economies for the crisis, their IMF-inspired prescriptions - mainly in the form of further economic liberalization and financial deregulation - may not necessarily work for Asian economies in which the embedded state used to rely on the high-debt growth model (Wade and Veneroso 1998). This is because many Asian economies achieved remarkable growth rates in the past three decades precisely because of their strong embedded states. The dismantling of such well-established state apparatus and the unconditional opening of domestic economies to foreign competition under the current IMF guidelines is tantamount to destroying the very foundation of their success - the embedded relationships between economy and state in these countries. The consequence can be extremely serious, ranging from social unrest (e.g. Indonesia) to extreme nationalism and xenophobia (e.g. Malaysia).

Given the embedded relationships between economy and state, the solution of the crisis is not to separate further the state from its involvement in the economy. Instead, the state needs to be strengthened to put its house in order. After all, even neoliberal reforms require the state to execute. In the case of Singapore, I argue that the Asian economic crisis tends to strengthen, rather than weaken, the capabilities of the state in economic governance and the social regulation of the economy. This in turn guarantees the enduring, if not enhanced, role of the state in Singapore's regionalization programme. First, in material terms, Singapore is least affected by the crisis among the Southeast Asian countries. Singapore's economic growth has already slowed down sharply from 7.8 per cent in 1997 to about 3.8 per cent for the first half

of 1998 (*The Straits Times*, 30 June 1998). The growth rate for the year 1998 was 1.3 per cent. This slowdown in Singapore's growth is largely attributed to its exposure to the regional economies than to its internal economic 'fundamentals'. As shown in Table 1, some 58 per cent of Singapore's FDI went to Asia and 34 per cent to ASEAN countries alone in 1995. As a regional business hub, Singapore's economic fortune is closely intertwined with the Southeast Asian economies. This interdependence, however, does not negate the embedded role of the Singapore's state in regulating its domestic economy. In fact, had the state not exercised stricter control on bank credits and loans in the early 1990s and implemented the property speculation curb measures in May 1996, Singapore would have suffered much more from its 'bubble' tendencies. When the entire Asian region was experiencing tremendous growth during the 1990s, the state in Singapore had the foresight to realize by 1996 that the rapid increase in property prices since the late 1980s would eventually lead to major economic crashes. These politically-unfriendly measures to 'cool' the property market indicated not only the foresight of the state in economic governance, but also its capabilities to regulate the domestic economy. The results are encouraging so far: Singapore banks do not suffer from huge domestic loans in non-productive sectors, and property prices in Singapore do not collapse overnight under the current Asian economic crisis.[5]

Second, not only does the Asian economic crisis not affect Singapore seriously in material terms, it also offers further discursive legitimacy to the embedded state to re-regulate the domestic economy. By naturalizing the processes of economic globalization and its negative impact on those economies with weak and 'corrupted' states, the state in Singapore is able to rally support from labour and capital.[6] In other words, by relegating the Asian economic crisis to the regional and global scales, the state is able to legitimize its strengthened role in domestic governance. Such a stance, which naturalizes the processes of globalization, can be found in recent statements by various ministers of the Singapore government. A recent address by Mr Lee Yock Suan, Minister for Trade and Industry, for example, noted that:

> . . . the problems in the [Southeast Asian] region will not be solved by turning away from globalization. . . . In this increasingly borderless world of trade and commerce, countries which try to hide behind national barriers will find themselves progressively marginalised. . . . Globalization is an *inevitable* process. Those who embrace it can harness its benefits. However, appropriate domestic policy measures and frameworks to strengthen the regulatory regime and financial institutions must be put in place first. In addition, parallel measures need to be taken to improve the competitiveness of domestic enterprises as well as develop the skills of the workforce.
>
> (30 July 1998; my emphasis)

This statement clearly demonstrates that for Singapore and its enterprises to compete effectively in the global economy, the state needs to implement appropriate policies without having to shut these local enterprises out from external competition or to rely on subsidies from the government. The political legitimacy of a strong state in domestic governance apparently is secured through a discursive construction of an inevitable external world of globalization in which Singapore either survives with good state governance or falls with a free-for-all neoliberal approach to economic governance. There are clearly some contradictions in this political discourse of globalization and the Asian economic crisis. On the one hand, the state subscribes to the IMF-style neoliberalism and attempts to liberalize the Singapore economy to 'embrace' globalization and to attract global capital. On the other hand, the state wants to regulate two important foundations of the economy - domestic labour and national firms. Mr Lee further indicated that Singapore's commitment to active pursuit of outward-oriented economic policies, including its regionalization programme, has remained unchanged. What then are these policy responses which presumably enhance the competitiveness of Singaporean firms and their opportunities to venture into the Asian region and beyond?

Policy responses of the embedded state to Asian economic crisis

Two such policy responses have already become apparent: (1) encouraging or staging more mergers and acquisitions among GLCs to form formidable 'national champions' and (2) replacing regionalization with globalization. These responses represent a qualitative change in the role of the embedded state towards re-regulating Singapore's drive to develop a strong external economy. First, the state has already spearheaded major acquisitions and mergers even before the Asian economic crisis to consolidate further some key GLCs in order for them to compete effectively in the global economy (see Table 2).[7] In early 1997, Neptune Orient Lines (NOL), Singapore's national shipping line and a GLC, acquired the almost 150-year-old US shipping group American President Lines (APL) for US$825 million (S$1.2 billion) in the largest foreign acquisition by any Singapore firm (*The Straits Times*, 15 April 1997; 19 April 1997; 21 April 1997). The role played by the state was that NOL could easily dwarf the S$824 million that Temasek Holdings and the Government of Singapore Investment Corporation, both major vehicles of the state's involvement in regionalization/globalization, cashed out of their investments in New Zealand in 1991. The acquisition was also waived by the Stock Exchange of Singapore to obtain shareholders' approval. It enabled NOL to become a major global player in the transportation and logistics sector, a clear signal of NOL globalization drive to operate beyond the Asian region. It also allowed NOL to achieve better economies of scale to compete with

Table 2 Recent acquisitions and mergers by government-linked corporations in Singapore

Name of company	*Date of announcement*	*Amount of capital*	*Consequence*	*Role of the state*
1. NOL (Singapore) acquired APL (US)	14 April 1997	S$1.2 billion	● NOL as the second largest local listed company ● NOL as one of the world's biggest fleets with 113 vessels	● S$824 million fund from Temasek Holdings and the GIC ● Special waiver granted by the Stock Exchange of Singapore
2. STIC (Singapore) merged with Sembawang (Singapore)	1 June 1998	S$3.3 billion	● SCI as the largest civil engineering and construction company in Southeast Asia ● SCI as one of the largest diversified conglomerates from Southeast Asia	● SCI chaired by chairman of EDB ● SCI 59.1% directly and indirectly held by Temasek Holdings
3. DBS Bank (Singapore) merged with POSB (Singapore)	24 July 1998	S$9.4 billion	● DBS as largest local bank and one of the largest Asian banks ● DBS ranked 65th largest bank in the world ● Access to much more deposit for investment	● Approval of merger by the Ministry of Finance which owns the POSBank, a national savings bank ● DBS chaired by former chairman of Temasek Holdings
4. ST Pte Ltd (Singapore) acquired Vickers Ballas (Singapore)	9 Sept 1998	S$330-400 million	● Vickers Ballas Holdings Ltd as one of the largest financial services firms in Asia	● ST Pte Ltd as one of the most powerful GLCs

Source: The Straits Times, various issues.

other global shipping lines. As its chairman, Mr Herman Hochstadt, noted, '[w]e feel that the two companies have a lot of synergy that we can put to work' (quoted in *The Straits Times*, 15 April 1997). Although it reported a worst-ever loss of S$241 million (about US$144 million) for the six months ended 30 June 1998, NOL could have saved costs of up to US$80 million as a result of the merger with APL (*The Straits Times*, 30 September 1998). Mergers and acquisitions have also become the norm

in the shipping industry because of excessive over-capacity and global competition. Commenting on the merger of two of Europe's largest container carriers, P&O (UK) and Nedlloyd (the Netherlands) in 1996, Mr Hochstadt said that the merger 'gave a very clear signal that this is the way that major operators will have to go if you want to stay in the business' (quoted in *The Straits Times*, 15 April 1997).

In the midst of the Asian economic crisis, two major mergers and one reverse takeover among GLCs in Singapore helped to consolidate the market positions of the respective merged entities and their firm-specific advantages to compete effectively in the regional and global economy.[8] On 1 June 1998, two listed GLCs, Singapore Technologies Industrial Corporation (STIC) and Sembawang Corporation, announced that they will merge to form SembCorp Industries (SCI), a diversified Asian conglomerate with ambitions to become a dominant force in the region (*The Straits Times*, 2 June 1998). The deal will create the largest civil engineering and building construction company in Southeast Asia with a combined order book of S$2.4 billion over a three-year period. Based on their 1997 results, the new group would have had sales of S$3.3 billion, net profit of S$95 million and assets worth S$6.5 billion at the end of 1997. SCI aims to achieve S$1 billion in pre-tax profit and S$10- 12 billion stakes within ten years. After the merger, the Singapore government will continue to hold a majority-shareholding position, with 14 per cent of SCI shares held by Temasek Holdings and 45 per cent by its wholly-owned subsidiary Singapore Technologies Pte Ltd. Mr Philip Yeo, the chairman of Economic Development Board, will become the chairman of SCI. Its president and CEO-designate, Mr Wong Kok Siew, said that 'the merger means that we will be big enough to compete with big players like the Fluror Daniels of the world' (quoted in *The Straits Times*, 2 June 1998). US-based Fluror Daniels is known for its global position in the energy, petroleum, chemicals, infrastructure and construction industries. The proposed merger would also strengthen SCI's position as a world leader in the industrial park business, with more than S$1.2 billion already committed to five parks in the Asian region.

In the banking and financial services industries, the proposed merger between Development Bank of Singapore (DBS) and Post Office of Singapore Bank (POSB) announced on 24 July 1998 implies that DBS Bank will now be able to tap into deposit-rich POSBank to become a huge and possibly dominant force in the regional banking industry (*The Straits Times*, 25 July 1998). In fact, DBS was already a net lender in the interbank market even before the proposed merger. The former chairman and CEO, Mr Ngiam Tong Dow, declared that 'our aim is to become a regional bank with a global reach' (quoted in *The Straits Times*, 20 April 1998). It was on the prowl for more acquisitions in the Asia-Pacific region. The proposed merger came not long after the former chairman of Temasek Holdings, Mr S. Dhanabalan, took over as DBS chairman from 9 May

1998. Since the beginning of the Asian economic crisis, DBS had acquired an 85 per cent interest in an Indonesia bank, increased its stake to 50.3 per cent in Thai Danu Bank and taken a 60 per cent stake in Philippines' Bank of Southeast Asia and a 65 per cent stake in Hong Kong's Kwong On Bank (*The Straits Times*, 17 December 1998). Together these acquisitions cost DBS more than S$330 million. After the proposed merger, DBS Bank is expected to have total deposits of S$59.3 billion, shareholders' funds of S$9.4 billion and total assets of S$93.4 billion, enabling it to extend its global reach into the region and beyond. Referring to the global player HSBC Holdings, a financial analyst said that the proposed merger basically is 'the Government's way of forcing the pace on the private sector to recapitalise and fulfil its wish for a HSBC here [in Singapore]' (quoted in *The Straits Times*, 25 July 1998). More recently on 9 September 1998, Singapore Technologies Pte Ltd (STPL), a wholly-owned subsidiary of Temasek Holdings, staged a reverse takeover of local stockbroking firm Vickers Ballas Holdings that will create an enlarged entity with assets of S$2 billion and shareholders' funds of S$800 million. The deal was a result of the repositioning of ST Capital, a 70.8 per cent-owned subsidiary of STPL, into a 'pan-Asian diversified financial services firm that is skills- and knowledge-based with Singapore as its anchor' (quoted in *The Straits Times*, 9 September 1998).

Second, the state has recognized the importance of participating in the globalization of its national firms since the mid-1990s. This U-turn in the geographical focus of outward expansion of Singaporean firms resulted from the relative lack of success in Singapore's regionalization programme. This diversification strategy has recently been confirmed by the Committee on Singapore's Competitiveness which noted that:

> One key lesson from the economic crisis is the need for diversification. We need to maintain a judicious balance between the regional and global dependencies of our economy, and diversify our range of economic activities so as to cushion the impact of a slowdown in any particular region.
>
> (Ministry of Trade and Industry 1998: 60)

Geographically, Malaysia was the traditional destination for mostly private-sector-driven FDI from Singapore (see Yeung 1998d). Since the official launch of Singapore's regionalization programme in 1993, the focus of FDI by Singaporean firms, in particular GLCs, has been China and Indonesia because they were seen as emerging markets with strong potential for growth (see Table 1). During the 1993- 95 period, Singapore's FDI in China grew over fivefold from S$444 million to S$2.4 billion and Singapore's FDI in Indonesia rose more than sixfold from S$517 million to S$3.4 billion. Even before the onset of the Asian economic crisis, Singapore's investment in China was generally not very successful (Yeung

1999c). In the midst of the crisis, Singapore's FDI in China dipped 42 per cent to US$1.5 billion for the first six months of 1998 (*The Straits Times*, 28 July 1998).

Indonesia and Malaysia, two major recipients of Singapore's outward investment, have suffered badly from the Asian economic crisis. Both countries no longer offer much attraction to Singaporean firms as potential investment destinations. With almost 80 per cent depreciation of the rupiah, the resignation of the former authoritarian president Suharto and recurrent social unrest, Indonesia has been stripped of its three decades of achievements within several months in 1998 (see *The Straits Times*, 2 July 1998). Facing tumbling stock markets and domestic currencies, Malaysia has gone inward-looking in its economic and foreign policies. The Mahathir-led government not only refused to accept IMF bailing-out packages, but also shut itself from the global economy by imposing capital controls on 1 October 1998 (see *The Straits Times*, 2 September 1998). Diplomatically, Malaysia has engaged in a 'Singapore-bashing' discourse which seriously undermines the confidence of Singaporean investors in Malaysia. To ride out of the Asian economic crisis, it becomes even more imperative for Singaporean firms, whether GLCs or non-GLCs, to expand into growth regions in America and Europe. This globalization drive requires a more developmental role of the state in Singapore.

Even before the Asian economic crisis, the state in Singapore was actively involved in exploring linkages with Europe through the Asia-Europe Meeting (ASEM) and the Asia-Europe Forum (ASEF). How far the inclusion of investment relations within such political fora will actually affect real investment decisions by firms is open to question. It does, however, raise the political visibility of investment issues and embeds them more explicitly in an institutional framework (Yeung and Dicken 1998; see also Chia and Tan 1997). Asia has not been an especially significant destination (in aggregate terms) for European investment. According to UNCTAD (1996: xiv), Europe has not been a major destination for outward FDI from Asia (other than Japan). As shown in Table 1, Europe accounted for only 10 per cent of Singapore's FDI in 1995. But the 1993-95 period experienced a tremendous increase in Singapore's FDI in the UK, up more than sixfold from S$361 million in 1993 to S$2.4 billion in 1995. Indeed, most of these large investments were in property, hotels and financial sectors. The Government of Singapore Investment Corporation (GIC) and Temasek Holdings have been in the UK for many years through a combined 30 per cent stake in Thistle Hotels which was formerly known as Mount Charlotte Investments (*The Straits Times*, 16 September 1997). A large proportion of this rise in Singapore's FDI in the UK was accounted for by Mr Kwek Leng Beng's, the celebrated Singapore entrepreneur, CDL Hotels International which had invested over S$530 million for Britain's Copthorne chain of seventeen hotels in 1995 (Yeung 1999d). In fact, Mr Kwek bought his first London hotel, The Gloucester, in 1992. He

was once quoted as saying 'I'll take London' (*The Straits Times*, 16 September 1997). His early move was subsequently followed by a string of other Singaporean acquisitions of European hotels: Halkin and The Metropolitan by HPL Singapore; Paragon Hotel by Teo Lay Swee; Holiday Inn Kensington and Green Park Hotel by Lum Chang's LC Hotels, and Brown's Hotel by DBS Land.

Since the Asian economic crisis, the state has been actively promoting non-Asian destinations for potential private and public investors from Singapore. Various trade and investment mission trips are organized by the Trade Development Board (TDB) to Africa, Central Asia, the Middle East, Central and Eastern Europe and Latin America (*The Straits Times*, 8 August 1998). Table 3 provides details of the role of TDB in promoting Singapore's trade and investments with various host regions outside Asia. In particular, the state is convinced that Singaporean companies can compete effectively against European companies in Africa, the Middle East, and Central and Eastern Europe. In Latin America, Brazil, Argentina, Chile and Mexico have been Singapore's four top trading partners in the region. The membership of Mexico in the North American Free Trade Agreement (NAFTA) also facilitates its use by Singaporean TNCs as an important base of operations for electronics investors planning to export to the US. NAFTA membership also allows Singaporean TNCs in Mexico to enjoy tariff benefits and, more importantly, direct access to the huge American market. Since Prime Minister Goh Chok Tong's visit to Mexico in September 1997, Singapore's FDI in Mexico has increased from US$19 million to US$87 million in August 1998 (*The Straits Times*, 8 August 1998). PM Goh's 'political entrepreneurship' also enabled the establishment of a wholly-owned manufacturing plant in Mexico by Natsteel Electronics Ltd, a leading electronics GLC from Singapore which is ranked the world's sixth largest contract manufacturer (*The Straits Times*, 2 May 1998; also 14 April 1997; 11 July 1997; 12 October 1998). As a truly global manufacturer from Singapore, Natsteel has manufacturing facilities in China, Hungary, Indonesia, Malaysia, Mexico, Thailand and the US. Amongst its main clients are Apple, Compaq, Hewlett Packard, IBM and Seagate. In another example, ST Engineering, a GLC, with Temasek Holdings recently acquired a 20 per cent stake in Solectria Corp, a leading US electric vehicle firm (*The Straits Times*, 29 September 1998). The acquisition would enable ST Auto, another subsidiary under the Singapore Technologies group, to distribute Solectria's products in the Asia-Pacific region.

Conclusion: beyond neoliberalism and state intervention

The debate between neoliberalism and statism in the global political economy and development studies literature is futile since the economy encompasses the state and the state is embedded in the economy.

Table 3 Recent activities by the Trade Development Board to promote Singapore's trade and investments outside Asia

Host regions	*Priority markets*	*Activities*
Africa	● Tourism, manufacturing, infrastructure development and resource-mining industries ● furniture trade with South Africa	● Mission to western Africa in March 1998 ● Business Opportunities Conference on Africa in November 1998
Central Asia	● Azerbaijan and Kazakhstan: political stability and no foreign exchange control ● Trading in foodstuffs, commodities, consumer electronics and household goods ● Real-estate boom: building material supplies, furniture and fixtures	● Two infrastructure fairs in Azerbaijan in 1999 ● Taking part in Aspat 98 (food fair) and InterFood Kazakhstan in late 1998
Middle East	● United Arab Emirates: redistribution hub of the Middle East ● Saudi Arabia: Singapore's biggest trading partner for the region ● Lebanon: reconstruction and building materials industries ● Iran and Turkey: sources for building materials	● Several food, infrastructure and building materials missions planned
Central and Eastern Europe	● Russia: consumer electronics, food and beverages ● Czech Republic, Hungary, Poland and Slovenia: electronics, food industry and property development ● Contract manufacturing and outsourcing for the IT industry	● Two trips to the Baltics since January 1998 ● Trade promotion with Russia and the European Union
Latin America	● Brazil, Argentina, Chile and Mexico: top trading partners with Singapore in the region ● Growing consumer markets: lower tariffs and privatization	● Three electronics missions to Mexico and two business seminars there since September 1997 ● A multi-sectoral mission to Brazil, Argentina and Chile in April 1997: companies from consumer products, food and beverage, textile and timber sectors ● Two more missions to be held by end 1998

Source: Collated from *The Straits Times*, 8 August 1998, p. 17.

To separate the economy from the state or vice versa in our understanding of global economic change is to commit the fallacy of composition. Instead, we should conceptualize the state-economy relationship as a dialectical process of interdependence and interconnectedness. In the midst of the recent Asian economic crisis and the rapid ascendancy of globalization discourses, blaming all economic problems on state intervention is not only conceptually wrong, but also detrimental to appropriate policy responses. Using the words of IMF neoliberalists, I believe that crisis tendencies in capitalism will encourage more state 'intervention' to 'liberalize' the market, a seemingly contradictory state behaviour. Intervention and liberalization have always been the processes through which the economy is embedded in the state and vice versa. In particular, the state can be directly involved in economic action through re-regulating the economy. Of course, specific policies pursued by states will vary according to the political and social contexts of the countries concerned. The state can also influence economic action and justify its legitimacy through engaging in political discourses which defer domestic economic issues from the national scale to the global scale. This is known as the scale politics of globalization discourses (see Cox 1997; Dicken *et al.* 1997; Yeung 1998a; Kelly 1999).

In Singapore, the state has always been actively involved in domestic economic processes. When its domestic economic engine had run out of steam by the 1980s, the state started to search for an alternative 'institutional fix' to give a new life to the economy which was dependent so much on foreign capital. In that process, the state took a lead to develop wider regional linkages through which Singaporean companies, both private and GLCs, could expand their business horizons and investment opportunities beyond the limited domestic market. Beginning with the 'growth triangle' concept in 1989, the state has relentlessly promoted the building of an external economy which not only supplements Singapore's domestic economy, but more importantly serves as a springboard to establish Singapore Inc. Though unprecedented in nature, the recent Asian economic crisis is unlikely to dismantle this state-economy embeddedness. Instead, I argue that the crisis has given the state more material and discursive power to re-regulate the economy. Paradoxically, the crisis has enhanced the discursive and institutional capacities of the state in governing the economy. I have suggested two specific and, yet, qualitatively different directions through which such enhanced state governance is made possible. First, more state-driven mergers and acquisitions of GLCs will enable these national firms to become competitive both in the short term and the long term. Second, the geographic scope of Singapore's outward investment will be shifted from the regional scale to the global scale. This is because existing regional investments are neither very successful nor likely to be successful in view of the Asian economic crisis. As a result, it is likely that the world, not just Asia, is Singapore's 'oyster'.

What lessons do we learn from Singapore's regionalization programme which may be relevant to Asia? The central message of this article is that we need to recognize the importance of re-regulation at both national and global scales. This may not be such a novel suggestion, as a similar plea for more coordinated global action and a new 'architecture' for the global economic order to 'cure' the Asian 'flu' has already been suggested by people ranging from politicians (e.g. Dr Mahathir Mohamad) to financiers and bankers (e.g. George Soros and Joseph Stiglitz) and academics (e.g. Jagdish Bhagwati, Jeffrey Sachs and Paul Krugman). For Asian emerging economies, the urgent task is not to liberalize blindly, but to consolidate the institutional capacities of the state in order to re-regulate the ailing domestic economies, in particular the capital and financial markets (Wade and Veneroso 1998). Malaysia has already taken steps to impose unprecedented controls on short-term inward and outward capital flows. This state action in Malaysia, however, was taken in the context of a 'globalization backlash' manifested in rising nationalism, a move towards 'illiberal solutions' with recourse to strong leaders and the politics of populism (*The Straits Times*, 19 September 1998).

For other Asian economies, the state should recognize that it is not a question of 'retreating' from participating in globalization, but also a question of how to re-regulate the national economies to make the most out of globalization. Moreover, the global economy still offers both opportunities and constraints for ailing Asian economies. The prospect for successful late capitalist development, as in the case of Singapore through its state-driven regionalization programme, appears to be a policy of being 'in and against the (global) market': As concluded by Kiely (1998: 83; original italics), '[s]uccessful late developers will be *in* the world market in that they attempt to draw on its opportunities, but will be *against* it in that the state will play a crucial role in removing its constraints'. This idea is based on the recognition that important reforms and opportunities can be gained from being in the capitalist state, but that these are always compromised or constrained by the dominance of capitalist social relations and the role of the state in securing this dominance. There is thus a need to be simultaneously against the state through more participatory citizenship, civic consciousness and democratic institutions (see Bello 1998). The state, while embedded in and regulating the economy, needs to be regulated by social actors, their institutions and relations.

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Notes

1 'External economy' here refers to the totality of foreign operations of value-added manufacturing and services controlled by Singapore-based companies.
2 See Yeung (1999b) for a case study of neoliberalist contradictions in Hong Kong's economy.
3 The term 'social regulation' is taken from the regulationist perspective first developed by French radical political economists in an attempt to explain changes in capitalism by reference to the overall social structure (Aglietta 1976; Lipietz 1987; Boyer 1990). Peck and Tickell (1995) argued that the adoption of the theory in the Anglo-Saxon world has led to some confusion over terminology because the original French word, *régulation*, conveys a wider set of social processes rather than direct intervention by the state as understood in the English version of the word. For a recent study of the social sustainability of Singapore's regionalization drive, see Willis and Yeoh (1998).
4 See a comprehensive twelve-page special report on the Asian economic meltdown in *The Straits Times*, 2 July 1998. It is beyond the scope of this article to debate on the causes of the crisis and the prescriptions for affected economies. For a sample of some very different views, see Rosenberger (1997), Garnaut (1998), Haggard and MacIntyre (1998), Jomo (1998), McLeod and Garnaut (1998) and Wade and Veneroso (1998).
5 There is a possibility, however, that the regional exposure of these Singapore banks has not been fully revealed.
6 This institutional capacity of the state in Singapore is clearly evident in uncontested implementation of the recently announced S$10 billion cost-cutting packages in which wages of Singapore's workforce were reduced by 5-8 per cent and the employers' contributions to the Central Provident Fund were reduced from 20 per cent of gross salaries to 10 per cent (*The Straits Times*, 12 November 1998).
7 For a recent study of the strategies and performance of these GLCs, see Singh and Ang (1998).
8 Some financial analysts, however, saw those mergers and acquisitions in the midst of the crisis as a form of the state bailing out ailing GLCs. The recent report by the Committee on Singapore's Competitiveness (Ministry of Trade and Industry 1998), however, viewed these restructuring activities of GLCs as a process of building world-class companies as another complementary source of economic growth in Singapore.

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