



The state and industrial development of the Asian tigers: A case study of Singapore

Iwarimie B. Uranta¹, & Orusaibogha Ebikedoumene Nelson²

^{1&2}*Department of Political Science,
Ignatius Ajuru University of Education, Port Harcourt – Nigeria.*

Abstract

This work looks at the state and industrial development of the Asian Tigers, taking into consideration Singapore's experience. The work aims, with content analysis, to explore the nature or character of the state (Singapore), and identify some of the factors that enhance the economic development of Singapore. The work made use of qualitative method of data collection, while applying the State-interventionist theory. It points out some of the challenges Singapore faced on her development efforts and proffer recommendations taking into consideration the third world countries in global comparison.

Keywords: Asian tigers, Industrial development, Singapore

1. Introduction

The phenomenal industrial development of Asian Tigers as a result of state intervention has attracted great attention from both policymakers and academic analysts. How were, it is asked, economies such as Korea and Taiwan, Singapore, Hong Kong able to achieve their high levels of macroeconomic growth and development while most other so-called less developed countries have languished in the world's economic backwaters? The developmental state has been pointed out as one of the most compelling explanations for the economic success of East Asia. The East Asian developmental states, it is argued, have been successful because governments there have acquired control over a variety of things presumed critical to economic success: they can extract capital; generate and implement national economic plans; manipulate private access to scarce resources; coordinate the efforts of individual businesses; target specific industrial projects; resist political

pressures from popular forces such as consumers and organized labor; insulate their domestic economies from extensive foreign capital penetration; and, most, especially, carry through a sustained project of ever-improving

It then follows that a review of Singapore's economic strategies and development could be a very useful example for Nigeria. The Singapore experience offers an interesting lesson as to how policies could be used to promote domestic businesses. It demonstrates the need to formulate industrial policies making use of market and government intervention to turn markets to favour government opted policies. How did all this happen? How was Singapore able to transform itself from a colonial backwater to an economic powerhouse? How did a multi-racial and multi-religious society with a history of racial tensions, and even bloody racial riots in 1964, transform into a peaceful, productive and politically and economically



secure society? Hence, taking into consideration the third world countries in global comparison, the character of Singapore is a worthy of investigation in identifying the factors that enhance her development plans and the challenges faced over time.

2. Literature Review

2. Conceptual clarifications

Concept of the State

A state is an organized political community acting under a government, within a territorial boundary. Thus, a state is made up of population, government, sovereignty and a defined geographical territory. States may be classified as sovereign if they are not dependent on, or subject to, any other power or state. States are considered to be subject to external sovereignty, or hegemony, if their ultimate sovereignty lies in another state. A federated state is a territorial, constitutional community that forms part of a federation. Such states differ from sovereign states, in that they have transferred a portion of their sovereign powers to a federal government.

About proper nature of the state, goals and capacities, especially as they are expressed in the institutionalized relationship with the private sectors, it is important to understand relative effectiveness of state intervention. (Abraham, 2010; Banuri, 2013).

For one, power is the currency states use to achieve their desired ends. Power may be more or less legitimate, and it may be used positively as incentives or negatively as punishment or threat of punishment. The fact that some states have been more successful than others at propelling industrialization suggests that successful states possessed a greater degree of power to define and pursue their development goals. (Bhattacharjea, 2008; Chukwuemeka, 2011).

Development, an improvement in a country's economic and social conditions, more specially, refers to improvements in way of managing an area's natural and human resources in order to create wealth and improve people's lives (Dow, 2007).

Todaro and Smith (2004), asserts that "development must therefore be conceived as a multidimensional process including major changes in social structures, popular attitudes and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development in essence, must represent the whole gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system moves away from a condition of life widely perceived as unsatisfactory towards a situation or condition of life regarded as materially and spiritually better". Overholt (2011) outlined several conditions that can make for achievement of this aim such as: the capacity to obtain physical necessities, particularly food; a job (not necessarily paid employment) but including studying, working on a family farm or keeping house; equality, which should be considered an objective in its own right; participation in government; belonging to a nation that is truly independent, both economically and politically; adequate educational levels (especially literacy).

Furthermore, Wade (2004) as cited in The World Bank Development Report (1991) asserted that "the challenge of development is to improve the quality of life. Especially in the world's poor countries, a better quality of life calls for higher incomes but it involves much more. It encompasses in themselves better education, higher standards of health and nutrition, less poverty, a cleaner



environment, more equality of opportunity, greater individual freedom and a richer cultural life (Derek et al, 2009; Kim, 2014).

Concept of Industrial Development

Industrial development is the building and growing of industrial activities within an economy. These industries include mass production, technological advances, and other services. When an area or economy is industrialized it experiences an increased standard of living, job growth, and more productivity as it sustains growth. As productivity in an area increases, there is so much more opportunity. (Shin, 2003; Shirley, 2014).

On the other hand, economic growth provided by industrial development is a well-sustained growth that can transform an economy. Industrial growth and economic growth go hand in hand. Economies thrive when an industry is growing because a growth in the industry means more jobs, more money, and more opportunity. Industrial growth is often linked with higher wages the production that industry provides but more money and more services for the economy leading to higher income per capita and more labor productivity. The standard of living increases when industry increases. These opportunities can transform an area and inspire endless amounts of growth (Movahed, 2014; Jomo et al, 2008).

Industrial growth then is not just a thing of an ancient history. It is as relevant today as it ever was. As a population grows and industry develops there is an increased demand for goods and services, there is more innovation and more financial opportunity. The citizenry all profit as a community thrives through industrialization. It then follows that industrial development is one primary function of the state, for the absence of it can predispose any people to vices and treats to

the rest of the states (Chang, 2004, 2007).

2.2 Theoretical Framework

In order to fully analyze the extent to which state intervention is responsible for the economic development of the Asian Tiger states, it is vital to define the theoretical foundation on which the topic sits. The economic development of the four Tigers represents just one segment of a larger sphere of development economics, a topic which studies the transformation of underdeveloped nations into more affluent ones. Development economics is relatively new within academia, yet numerous models that detail a country's growth strategy have risen to prominence. These ideas can be said to generally fall under three separate umbrellas of political thought and have come to be seen as the most established within the topic. The three most relevant theoretical models share the economic philosophies of Keynesian, Neoliberal, and Heterodox theories. These are interventionist, market-led, and government-led models for economic development respectively (Banuri, 2013). Due to the variety and complexity of economic development, it is important to define each model in order to determine the extent to which a state-intervention model was followed as opposed to market-led or government-led models.

The model which most closely resembles the notion of state-intervention is interventionist, which largely draws upon the philosophies of Keynesianism and the idea that governments should make necessary interventions in order to correct errors in the free market. Although actors are considered rational, supervision by the state is required to stabilize output. As is the case in most monopolistic and imperfect-competition markets, a firm may exercise abusive actions that result in a loss of welfare, therefore state intervention is needed in order



to decrease unemployment and encourage growth. This is most often achieved through policies such as taxation, price setting, and subsidies, and is one of the key arguments in Keynesian economic theory (Lawlor, 2006). All economies, to some extent, undergo state intervention; however, the amount each experience varies drastically. Whilst Chandavarkar dismantled the argument that Keynesian theories apply to the development model, he concedes that Maynard Keynes offered the first economic rationale for a central bank as a development agency, which paved the way towards a working development model where the market and government of a state synchronise in order to further economic progress and therefore development. As such, the interventionist development model has gained significance within development economics academia and may go far in explaining why the Asian Tigers experienced such rapid growth. Thus, then state interventionist theory postulates that the manifest presence of the state can help check economic activities and stabilize the environment for any development goals.

3. Methodology

The major method of data analysis adopted in this study is qualitative-descriptive analysis of documentary study of official documents like country websites, internet sources, etc. consisting of written material (whether handwritten, typed or printed) that was already in existence which was produced for some other purposes than the benefit of the investigator. Hence, these documents as secondary data collection, are published or unpublished materials on activities of public and private organizations and found mainly in libraries and archives for public use.

4. Result and Discussions

Singapore Experience

Singapore was perhaps the most “democratic” of the Asian Tigers in its early life, if in name only: so charismatic was the leadership of Lee Kuan Yew that in the words of a British diplomat “politics disappeared” leaving only an “administrative state.” After reluctantly accepting Singapore’s independence from Malaysia in 1965, Lee took control of Singaporean politics in “soft authoritarianism” until his retirement in 2011 and much of Singapore’s success is directly attributed to his personal vision and ability due to his intolerance for corruption. In fact, Lee Kuan yew’s unbiased and successful fight against corruption, served as a major factor that channeled Singapore on the right part for industrial development. It would have been difficult for Singapore to attain high level industrial development without reducing corruption in governance to the bearable minimum.

Singapore’s development follows a now-familiar path. While not facing the challenges of rebuilding after a war, Singapore stood alone as a modern city-state with too little land to effectively feed its citizens. Food and water had to be provided for by imports, necessitating a quick push towards export-oriented light industries to balance trade. Interestingly Singapore sought to supplement the local lack of technical and managerial knowledge by attracting international firms, albeit in a limited fashion, using their capital and resources to kick-start the light industry that would provide the backbone of Singapore’s economy for the next few decades.

The 1970s saw a dramatic change in the structure of Singapore’s economy, with export trading, manufacturing and heavy industry becoming increasingly more of a



priority throughout the 1970s and 80s. This was largely in response to the challenge that China's burgeoning light industry under Deng posed to Singapore's output, and was pushed forward by the central government through a combination of reinvestment of wages in industry, infrastructure, housing and communications through the Central Provident Fund and an increase in minimum wage, forcing employers to seek more efficient modes of production.

Unlike Taiwan and South Korea, Singapore's move to the final phase of development was not marked by the establishment of the high-tech industry but rather by fulfillment of Stamford Raffles' original vision for Singapore as the trading and financial hub of Southeast Asia. Trade, import refinement and finance all require skilled labour, much like high tech industry, and Singapore's unique geographic position and recent market liberalization allow this to serve as the high-level industry that cements its position as a

fully developed nation, just as high tech industries do for South Korea and Taiwan.

Given today's liberal markets, and the nominal democracy of Singapore's modern history, it is tempting to think of Singapore as an example of liberal market-led development in action. However, the importance of the Central Provident Fund in establishing the infrastructure needed for heavy industry and the dominant role of Lee in both politics and economic direction both suggest that the state was the principal mover in the development of Singapore's economy, with liberal elements only being introduced in the late phases of development to pave the way to a financial and trade hub.

Today, Singapore engages in several industrial, manufacturing and commercial activities that contribute to increase in the country's GNP. The table below shows some of such commercial and industrial products which Singapore exports to boost her Gross National Product (GNP):

Singapore Exports by Category	Value	Year
Electrical, electronic equipment	\$131.90B	2020
Machinery, nuclear reactors, boilers	\$58.09B	2020
Mineral fuels, oils, distillation products	\$30.23B	2020
Optical, photo, technical, medical apparatus	\$20.77B	2020
Pearls, precious stones, metals, coins	\$20.35B	2020
Plastics	\$12.90B	2020
Organic chemicals	\$11.45B	2020
Essential oils, perfumes, cosmetics, toileteries	\$9.55B	2020
Pharmaceutical products	\$8.92B	2020
Miscellaneous edible preparations	\$6.03B	2020
Miscellaneous chemical products	\$5.91B	2020
Commodities not specified according to kind	\$20.29B	2020

Source: Singapore Export Statistics (2021)

Thus, Singapore derives most of its revenues from foreign trade. The biggest export product, with 43 percent share, is electronics and electrical equipment, machinery and equipment. The country also exports

petroleum (19 percent); chemical products (13 percent); miscellaneous manufactured articles (8 percent) and oil bunkers (7 percent). Singapore's main exporter partners are China (15 percent of total exports), Hong



Kong (12 percent), Malaysia (11 percent), Indonesia (8 percent), United States (6 percent) and Japan (5 percent).

Discussion and Evaluation

Whilst the previous section has determined whether state-intervention is more responsible for economic development than the other models, this section aims to evaluate why the relevant development models were so successful in stimulating growth within each of the four Asian Tiger economies. When taking into consideration the individual paths to development they took, it is clear that the overarching model most applicable to each economy was that of the state-led development model. Although Hong Kong took a market-led approach to some extent, each state worked to push development ever further instead of settling into a particular set of industries, by re-investing in the capital and infrastructure within emerging industries and also protecting said industries from the international market until they were large enough. Therefore, it can be said that a state-led development model, rather than simply state-intervention, was responsible for the miraculous growth observed within the Asian Tigers. However, a further question presents itself; why was the state-led model was so successful within these particular states? Indeed, similar situations in Latin America and the USSR at the time did not lead to the exorbitant growth that was experienced in South Korea, Taiwan, Singapore, and Hong Kong. Consequently, the following analysis will look into several factors that might explain why the state-led growth was responsible for development within the Tigers, rather than state-intervention.

The first factor that contributed to the triumph of state-led growth within the Tigers is that of the shared Confucian culture within

the region. Traditionally, many economists viewed the religion as an inherent barrier for economic development, due to its historical ties to feudalism that directly oppose contemporary capitalism (Mascelluti, 2015). However, the importance placed upon the collective family and social hierarchy within Confucianism could be said to instill the mindset needed to endure the sacrifice of individual economic interest in favour of the country's prosperity, an attitude which appears prevalent within the Tigers (Shirley, 2014). This idea of sacrifice opposes the ideas observed in the interventionist model, where only policies which benefit rational actors will benefit a state's economy overall. Furthermore, the viewing of the government as a higher power and the value placed upon education also helped bolster the feat achieved by each of the Tigers' long-term economic goals (Mascelluti, 2015). Conversely, in other parts of the globe, it could be predicted that submission would not be so easy due to individuals being deficient of this unique outlook. This may explain why government-led growth may not be so successful elsewhere.

The second factor explaining why state-led growth was so effective within the Asian Tigers is that education was viewed, to some extent, as crucial to the development of the economy by each of the four countries. As the demand for secondary and tertiary education drew throughout the 1970s, each state started to invest in these institutions, and by 1986 secondary school enrolment rates had increased dramatically, reaching 95 per cent in South Korea (Mascelluti, 2015). This increase in the proportion of an educated labour force resulted in more individuals seeking higher skilled jobs in burgeoning industries, which helped the state-led development strategies by growing



these industries until they no longer needed to be sheltered from the international market. Furthermore, a more educated society typically results in a more efficient and stable economy, translating into higher growth (Overholt, 2011). Therefore, it is clear that each of the Tiger states' decision to invest in education provided a stable and advantageous foundation from which government-led development, and therefore economic growth, could thrive.

The third and arguably most important factor in explaining the success of the state-led development model is that of the political strength demonstrated by each of the Asian Tigers' leaders with high level intolerance for corruption in government. Each of the four states possessed legitimate central governance that provided the ability to consistently direct the development of the markets without any noteworthy domestic challenges (Shirley, 2014). In the case of South Korea, their government's authority was founded upon "forced unity" in opposition of the North.

Consequently, the prosperity of the South could be easily measured by its citizens by their economic position in comparison to the North. With regards to Taiwan, much of the country's status is focused around the state's connection with China. Found both in leadership and the population, Taiwan's competition with its neighbour supplied the legitimisation for uninterrupted GMD rule and, similarly to South Korea, provided an effective economic focus to the government. The connection between the success of government-led growth within Hong Kong and Singapore and the intentions of their individual governments is an all the more basic case of survival. Due to their small size, neither possess the agricultural means to prosper as self-sufficient states. The two

states' leadership legitimacy was therefore founded upon the sustained survival of the countries' economies. Therefore, to some extent, in all four states the legitimacy and furthering prosperity of the government depended on the constant financial attainment they could securely deliver to the population. As a result of this, each government had a large incentive to fervently and continually pursue sustainable development (Wade, 2004). Therefore, instead of implementing interventionist policies to promote moderate development in an otherwise market-led economy, as would be the case in an interventionist model, the state-led development model was responsible for significant and sustained growth throughout the period.

Furthermore, due to each government not founding their legitimacy on either democracy, which could create volatility and an absence of long-term goals, or ideology, which leaves no room for adjustment due to the combining of development and a fixed path, this permitted each Tiger state to achieve permanent sustainable growth (Wade, 2004).

Consequently, it can be clearly seen why the state-led model for economic development, rather than the interventionist model, was responsible for the growth observed within the Asian Tigers. Their shared culture, stances on education, and strong political leaders, all played a role in cultivating the perfect climate in which the state-led model thrived. The approach the Asian Tigers took to development is therefore best surmised as "success due to coherent and flexible policies, effective implementation by the state... and political capacity to insulate economic planning from competing interests" (Shin, 2003).



5. Conclusion and Recommendations

When considering the extent to which state intervention was responsible for the economic growth of the Asian Tigers, it is clear that its impact was small. Rather, an intense state-led development model, using well-defined plans and investment strategies, had a much larger effect in stimulating growth within the majority of the countries. This model defines a powerful central government that employs varying strategies to stimulate development despite the desires of individual workers, as opposed to the Neoliberal model's market liberalization and the Keynesian ideas of government intervention. Whilst an interventionist development model is a viable option for growth, in this instance the state-led development strategy of nationalization and substantial investment in fledgling industries was crucial to the rapid industrialization and economic growth of the Tiger states. Whilst Hong Kong appeared to lean the most towards a market-led model, it is clear that the neoliberal ideas supported by the 1993 World Bank report can be rebuked and that the state-led model of economic development was the most responsible in developing the Asian Tigers far beyond their predicted means.

The success of the state-led development model is due to a manifestation of unique cultural values, intolerance for corrupt practices in government and a focus on the importance of education. It is also due to the particular stresses placed upon each government to solidify their legitimacy by developing the economy. This dependence upon the development of the markets for legitimacy instead of ideology or democracy permitted the Tiger states to achieve stability and flexibility within their long-term goals, which successfully aided in their

development. The Asian Tigers allow us to observe an illuminating alternative to the most common classical developmental approaches considered in state-building exercises that normally stress the significance of liberal values such as market-led growth and democracy. Nigeria's reproducing Singapore's accomplishments is achievable; however, it will necessitate a complete change in the nation's attitude towards development economics and notion of the connection between a government's legitimacy and competence.

References

- Abraham, N. T. (2010). *The Praxis of Development and Underdevelopment Benin*: Ethiope Publishing Corporation. pp. 29-30.
- Banuri, T., (2013). *Sustainable Development is the New Economic Paradigm. Development*. 56(2), pp. 208-217.
- Chang, H. J., & Grabel, I., (2004). *Reclaiming Development: An Alternative Economic Policy Manual*. Revised ed. New York: Zed Books.
- Chang, H. J., (2007). *Bad Samaritans*. Random House.
- Chukwuemeka Gahia (2011). *Politics of Developing Areas: Settings, Patterns and Trends*. Ano Publications Company/Kedson Integrated Services. p. 91
- Derek, G., Ron, J., Geraldine, P., Michael, J. W., & Sarah, W. (2009). Asian Miracle/tigers. *The Dictionary of Human Geography* (5th ed.). Malden, MA: Blackwell. p. 38. ISBN 978-1-4051-3287-9.
- Dow, S. (2007). *Heterodox Economics: A Common Challenge to Mainstream Economics?* In E. Hein, ed. *Money, Distribution and Economic Policy*:



- Alternatives to Orthodox Macroeconomics. Cheltenham: Elgar, pp. 31-46.
- Jomo, J. S., & Von Arnim, R. (2008). *Trade Theory Status Quo Despite Krugman*. Economic and Political Weekly. 43(19), 29-31.
- Kim, D. K. (2014). *The History of Korea*. 2nd ed. Connecticut: Greenwood.
- Mascelluti, E. (2015). *The Extraordinary Growth of The Four Asian Tigers*. M.A. Dissertation, Libera Università Internazionale degli Studi Sociali Guido Carli.
- Movahed, M. (2014). *The East Asian Miracle: Where Did Adam Smith Go Wrong?* [online] Harvard International Review.
- Overholt, W. H. (2011). Park Chung Hee's International Legacy. [online] Harvard University.
- Shirley, B. M. (2014). Development, Legitimacy, and the Role of the State: The Asian Tigers from Independence to Industrialisation.
- The World Databank., (2018). *South Korea Exports of Goods and Services*.
- Wade, R. (2004). *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialisation*. 2nd ed. Princetown: Princetown University Press.