Seven lessons from Singapore: what Britain should really learn from the "Singapore model"

BRIEFING PAPER

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As Britain enters the post-Brexit era, it has been suggested by some that we look to the success of Singapore as a model to emulate for the future. Whilst many commentators espouse the benefits of Singapore's tax and regulatory policy environments or its trade openness, this briefing sets out some of the less well-observed elements of the "Singapore model" which could bring long-term economic success for Britain.

KEY POINTS

- Singapore has experienced extraordinary economic success since the 1960s. Between 1970-2019, Singapore's annual GDP-per-capita growth averaged 4.7%, compared to the UK's 1.9%. The UK should aspire to grow at rates closer to those of Singapore.
- However, the focus of recent debate has been something of a caricature of Singapore's economic history. The real lessons for the UK can be found in other aspects of the "Singapore model".
- For UK politicians and policymakers looking to repeat something like the success of Singapore in this part of the north Atlantic there are seven key lessons, which can be best summarised as "getting the fundamentals right".

SEVEN LESSONS FOR THE UK FROM THE "SINGAPORE MODEL"

1. Ensure there is an **efficient legal system that robustly protects property rights** and swiftly but fairly resolves disputes.
2. **Minimise barriers to entrepreneurship and business growth**, especially hurdles arising from poorly designed and inefficient state bureaucracy.
3. **Maximise the quality of human capital** with sufficient investment in the education of young people and lifelong learning.
4. **Invest heavily in world class physical infrastructure**.
5. **Focus on innovativeness** by nurturing a world leading "eco-system" for innovation.
6. Make proficient, targeted and sustained **state investment in industry**.
7. **Build and maintain a highly capable public administration system** that can devise and deliver policy effectively.

INTRODUCTION - SINGAPORE'S ASTOUNDING SUCCESS

It has recently been reported in the media that there is considerable talk, in governing circles, of the "Singapore model" and turning the UK into the "Singapore of Europe".

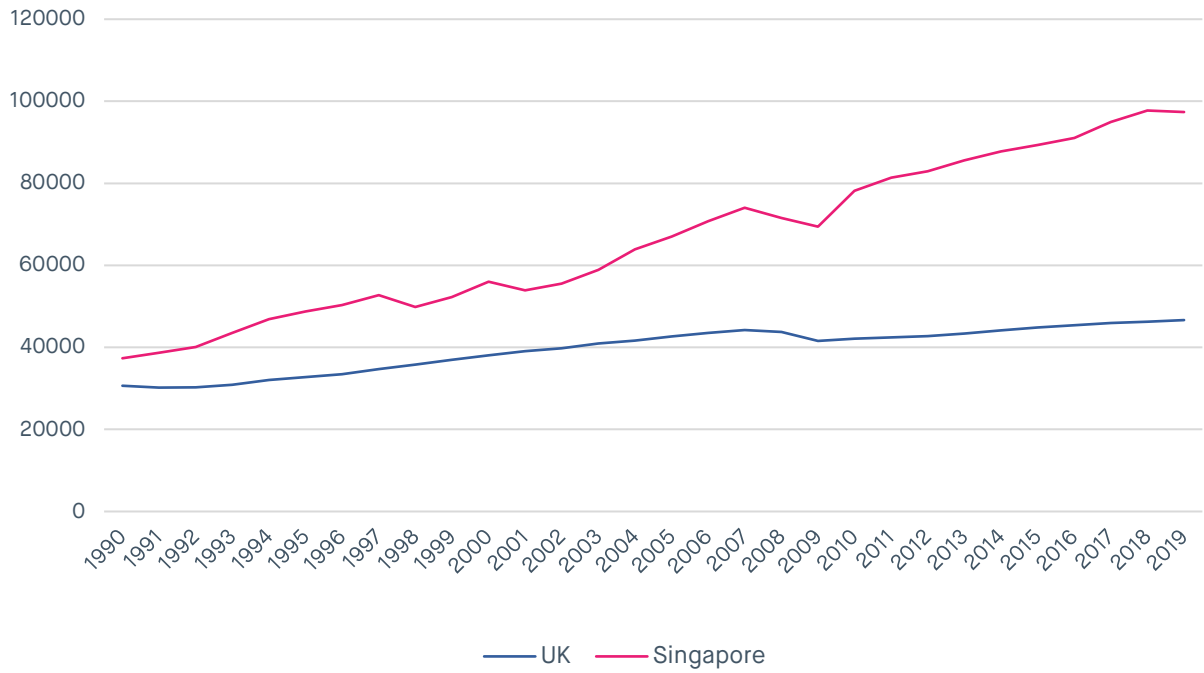
Singapore's post-independence economic history is the story of an economic miracle. In 1970, the average Briton was more than two and half times richer than the average Singaporean. The intervening years have seen a dramatic change in Singapore's fortunes.

If the UK's growth performance could be closer to that which Singapore has achieved and in-turn the UK could reach something like Singapore's levels of wealth, there would be few who would complain. A good illustration of the scale of the performance gap is the difference between Singapore's annual average growth rate in GDP-per-capita and the UK's over the last 29 years:[1]

- Singapore's average per-capita growth rate, between 1990 and 2019, was 3.5%.
- The UK averaged 1.4% per year over the same period.

Figure 1 shows that the comparative per-capita GDP position between Singapore and the UK, measured on a Purchasing Power Parity Basis (PPP), has continued to diverge long after Singapore had caught up with Britain. Showing that Singapore's story is not just one of catch-up and convergence but on-going success.

Figure 1: Comparing Singapore's and the UK's GDP per-capita (PPP, 2017 $), 1990 to 2019



Source: World Bank

Singapore also performs well on quality-of-life indicators in addition to economic metrics. For example, in 2019, average life expectancy was estimated to be 83.5 years for Singaporeans, compared to the UK's 81.3 years. It would be difficult to see many demurring from the UK matching Singapore's average life expectancy.

Given Singapore's success, there would seem to be considerable merit in the idea that the UK could benefit from trying to emulate Singapore's example. However, when the lessons from Singapore are discussed, it is usually with regard to its tax regime, its

regulatory environment or its high degree of trade openness. I think there is indeed a lot we should learn from Singapore. But the most important lessons from Singapore are not necessarily those, which some who raise the "Singapore model", think they are.

SEVEN LESSONS FROM SINGAPORE – GETTING THE FUNDAMENTALS RIGHT

The big lesson from Singapore is that it strives to get the basics right. It nurtures a range of factors which provide the foundation for long-term developmental success. It is often said that the state in Singapore has, and does, play a 'developmental' role or is a "Developmental State".[2] In essence, all this term means, is that Singaporean governments (of the past and present) set a strategic "developmental" goal (or goals) and make deliberate efforts, through policy interventions, to achieve it or them.

When thinking about lessons for the UK, there are seven that stand out. Each lesson is outlined in more detail below.

Lesson 1 – an efficient legal system that robustly protects property rights

High-quality legal institutions are strongly correlated with long-run prosperity. Singapore is ranked 3rd in the World Economic Forum's (WEF) Global Competitiveness Index (GCI) 2019, for the protection of property rights, while the UK is ranked 17th.[3] Singapore is rated 1st in the world for the ease with which a contract dispute can be resolved in the latest World Bank Ease of Doing Business rankings.[4] The UK languishes in 34th place.

Singapore has achieved its pre-eminence, not only through its continued use of a system of common law[5] and the advantages (e.g. for commerce) that come with it, but equally importantly through its deliberate policy of embracing the application of technology to the administration of justice,[6] as well as the creation of specialist courts[7] and the expansion of Alternative Dispute Resolution[8] (ADR). The result has been a commercially attuned body of law and relatively swift but high-quality decision-making processes.

Lesson 2 – minimise barriers to entrepreneurship and business growth

Firm entry and competitive rivalry are essential ingredients for a thriving economy. Singapore is comfortably ahead of the UK in the rankings for how easy it is to start-up a business. Singapore ranks 4th, while the UK is 18th in the World Bank's Ease of Doing Business index.[9]

Unnecessary barriers to entrepreneurship have been reduced in Singapore through administrative improvements to, for example, lessen the bureaucracy associated with registering a business and make it easier to pay taxes.[10] According to the World Bank, Singapore ranks 7th in the ease with which a business can deal with the tax authorities. This compares favourably with the UK's 27th place.

Minimal administrative hurdles have been complemented by other activist measures designed to make it easier for Singaporeans to start up and grow a business, including a variety of schemes to help entrepreneurs access the finance they need to get established and scale-up.[11]

Lesson 3 – maximise the quality of human capital with sufficient investment in the education of young people and lifelong learning

Human capital[1] has been and continues to be, an indispensable element of Singapore's growth story. Cultivating the education and skills of the labour force has, over time, a profoundly positive impact on a country's development.[12] This is something that Singaporean governments have understood since the 1960s:

> *'Former Prime Minister Goh Chok Tong observed in March 1997 that Singapore was "blessed" by its lack of natural resources because it was forced to develop its only resource: its people…Singapore has…[invested]…heavily in education to enhance the skills of its population…The PAP government views education as "a national investment" and has increased government expenditure on education by about 200 times from S$63.39m in 1959 to S$12,660m in 2016'.* [13]

The importance of high levels of human capital to the "Singapore model" is reflected in the resources the Singaporean government channels into education. It spent around 17% of its national budget on education in 2017 and closer to 20% in 2019.[14] A crude comparison of spending on pupils in primary schools, based upon 2019 data, can help highlight how Singapore's education spending translates into per-pupil expenditure and the magnitude of the differences there is with England. Singapore spent S$11,531 per primary school pupil in 2019.[15] At the current S$-£ exchange rate, that equates to around £6,300. Whereas, in England, the state spent around £5,000 per pupil on average in 2019.[16] About 20% less than Singapore. Further, Singapore makes a particular effort to provide extra support for disadvantaged children.[17] In 2018 there was a S$200 million boost to education funding targeted at supporting such groups.

The fruits of this expenditure are evident in a number of international indicators:

- Singapore is top of the World Bank's Human Capital Index (HCI), ahead of South Korea.[18]
- In the WEF's GCI Singapore is ranked 3rd for the quality of the skill-levels of its 'current workforce', compared to the UK's 22nd place.[19]
- Singapore is 2nd in the OECD's latest PISA ranking and scores much better than the UK across all three subject areas measured, as indicated in Table 1.[20]

Table 1: PISA scores, 2018

	Reading	Maths	Science
Singapore	549	569	551
UK	504	502	505

Source: OECD

In addition to the funding, Singaporean education has a number of notable features which contribute to its success. It recruits teachers from the top third of high school graduates.[21] Its schools are strict on measures like uniforms, homework is emphasised, there is a rigid curriculum, a focus on STEM, rigorous exams (GCE O-levels) and an intolerance for poor performance. There is also a high level of parental engagement and pupils are frequently

[1] Human Capital is defined by the OECD as "*…the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances*".

involved in extra-curricular learning. Additional learning is boosted through Singapore's Edusave accounts[22], into which funds are deposited annually by the Ministry of Education, to help cover the costs of school organised "enrichment programmes".[23]

In contrast to the UK, education at the post-secondary level in Singapore has a strong vocational component. A network of polytechnics and Institutes of Technical Education deliver much of it.[24] It has been estimated that nearly two-thirds of those who go onto post-secondary education pursue vocational courses.[25] To support post-secondary skills development, each Singaporean has a Post-Secondary Education Account.[26] This is a savings account to fund further education and training up until the age of 31. Notably, they are integrated into other Singaporean savings vehicles, with unused funds transferred into people's CPF Ordinary Account.

In addition to Singapore's long-standing emphasis on schooling and post-secondary systems, lifelong learning has become an important focus for the Ministry of Education, since 2015.[27] Some existing education spending has been diverted into flagship initiatives like the SkillsFuture programme, which has been devised to incentivise and provide economic and other support to Singaporean adults to upgrade their existing or obtain new skills over their lifetimes.[28]

As the OECD has highlighted, the SkillsFuture initiative has already provided considerable amounts of help to Singaporeans.[29] 2017 data suggested that:

- A quarter of a million people had utilised the SkillsFuture Credit.
- 120,000 used the mid-career enhanced subsidy.
- 4,600 people accessed the SkillsFuture workshops.

SkillsFuture is looking to go further and professionalise and strengthen the Adult Education sector with measures such as the Education [Training and Adult Education (TAE)] Transformation Map. The ambition behind this programme is to ensure the adult education sector can deliver the kinds of services that will be required of it, as technological transformation disrupts existing occupations and employment patterns over the coming decades.

A notable aspect of Singapore's efforts to make available and increase access to lifelong learning opportunities, is how it is designed to dovetail with other policy efforts. Education and skills policies for example, are designed to be complementary to efforts in industrial or technology policy to boost growth in a particular sector or establish a new industry. Ultimately, such mutually reinforcing combinations of policies aim to help ensure Singapore continues to meet its strategic "developmental" objectives of maintaining its success in the high value industries of today and gaining a lead in the industries of the future.[30]

Lesson 4 – invest heavily in world class physical infrastructure

Infrastructure plays a vital role in facilitating long-term growth. Singapore is ahead of the UK in the quality of its infrastructure. The UK has historically under-invested in infrastructure, as previous SMF research has noted.[31] The WEF's GCI reflects this position. It's 2019 edition found that Singapore's physical infrastructure was, overall, the best in the world,[32] with its transport infrastructure in particular ranked 1st and its utilities infrastructure ranked 5th. The UK was 11th overall, with its transport infrastructure identified as 11th best in the world and its utilities infrastructure 21st.

Singapore's interventionist efforts have been central to its achievements in infrastructure. As far back as the late-1960s and early-1970s, the bulk of Singapore's annual average 30% growth rate in fixed capital formation was accounted for by public expenditure on construction projects and urban renewal. More recently, in addition to funding, the government's leadership, planning and ability to partner with the private sector have been central to Singapore's port[33] and air[34] transport infrastructure success and to the future expansion of Singapore's infrastructure.[35]

Lesson 5 – focus on innovativeness by nurturing a world leading "eco-system" for innovation

Innovation of various kinds is a primary contributing factor to long-term economic abundance. Consequently, successive Singaporean governments have made innovation and developing Singapore's National System of Innovation (NIS) a high priority. Singapore's policy toward innovation displays all the hallmarks of the kind of strategy pursued by "Developmental States".

It has been summarised as comprising long-term[36] strategic commitment from the state to innovation (with the establishment of entities like the Enterprise Development Board (EDB)) and flexibility over the policy details.[37] Equally important to policy flexibility has been a joined-up approach, with policymakers recognising that encouraging innovation is not something that only science, technology and industrial policy is concerned with but all areas of government policy, including education and skills policy.[38]

A good example of Singapore's "developmental" approach to innovation in action is the current attempt to encourage Singapore's ICT sector to continue to be internationally competitive.[39] The Government has established the Smart Nation initiative and it using government procurement of advanced technology (which will ultimately be used to deliver better services by the state to Singaporean citizens) to bolster the dynamism of the domestic ICT sector.[40] Another typical 'developmental' policy, currently being implemented, aimed at promoting the diffusion of information and communication technologies among Singapore's SMEs is Go Digital.[41]

The ultimate result of Singapore's multiplicity of efforts to support innovation has been high rankings for Singapore across a number of international metrics, which are used as proxies to indicate innovativeness of an economy, compared to the UK. According to the WEF's GCI:[42]

- In 2019 Singapore ranked 15th for the number of patent applications per million people (119) compared to the UK's ranking of 19th (102 patent applications per million people).
- Singapore spent 0.5% more on R&D, as a proportion of GDP, than the UK. The former invested 2.2% of its GDP, the latter only invested 1.7%.
- Singapore is 8th in the world for the number of full-fibre internet subscriptions per 100 people, whilst the UK languishes in 79th place.
- The UK was four places behind Singapore in the number of mobile broadband subscriptions per 100 people, ranking 10th, compared to Singapore's 6th place.

Perhaps the ultimate proof of the efficacy of Singapore's 'innovation policy' is in the bio-tech sector,[43] where, starting in the early 2000's, it has developed a cutting edge industry cluster from almost nothing.[44] This was achieved through a familiar combination of

measures, including a strategic vision, state investment in research and physical infrastructure (including domestic research institutes), inward investment (bringing capital and bio-tech knowledge into Singapore) and government led efforts to build-up a local pool of skilled scientists and technicians to work in the sector.[45]

Lesson 6 - make proficient, targeted and sustained state investment in industry

Singapore has two Sovereign Investment Funds (SIFs), as SMF research has discussed elsewhere.[46] While both play an important role in the "Singapore model", Temasek Holdings is particularly important because it explicitly, strategically, supports Singapore-based industry. It was established in the early-1970s to look after the Singapore Government's holdings in a range of Singapore businesses. By 2019, it had grown beyond its limited beginnings into a global investment fund and held net assets worth around $313 billion. Despite its global reach, it still retains extensive holdings in Singaporean firms and a strong focus on 'developing' the Singapore economy.

A good illustration of the strategic role Temasek continues to play in bolstering the Singapore economy, can be found in its recent entry into a joint venture with the National Research Foundation, worth S$100 million, to try and solve one of the long-recognised weaknesses in the Singaporean economy; the commercialisation of basic research.[47]

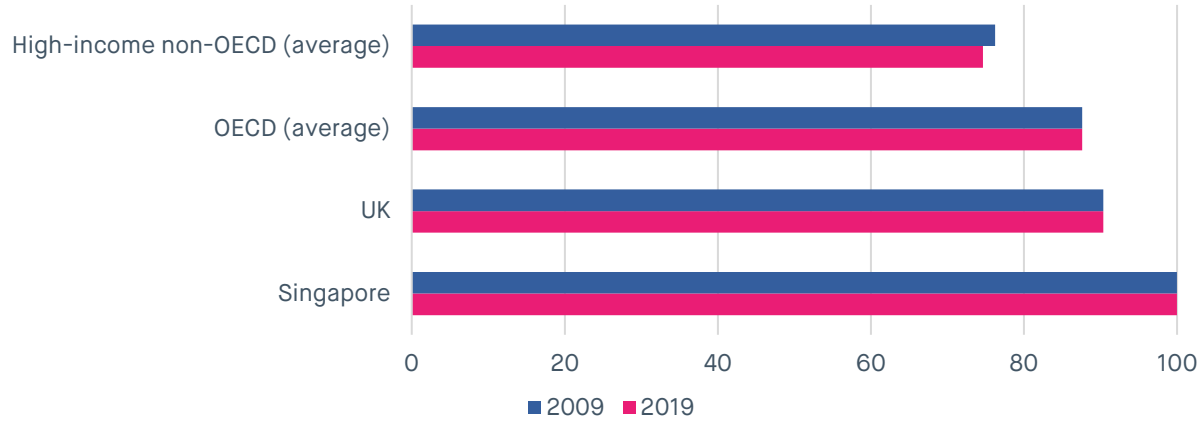
Singapore's other SIF is the Government Investment Corporation (GIC), established in 1981. While it does invest in Singapore, unlike Temasek Holdings, it does not have as prominent a role in strategically supporting Singaporean business.

Lesson 7 – build and maintain a highly capable public administration system that can devise and deliver policy effectively

What is clear from the brief outline above, and Singapore's post-war economic history, is that the state in Singapore has been activist, not passive. Governments, under Lee Kuan Yew and his successors, have taken a detailed interest in the economy and shaped its development trajectory.

Crucially, to enable successive Singaporean governments intervene as effectively (more often than not) as they have, the city-state has invested in ensuring it has high-quality administrative capacity.[48] The latter is reflected in the World Bank's "Government Effectiveness" metric (see Figure 2), which shows that Singapore operates at the "global frontier" of administrative efficacy.

Figure 2: Comparative government effectiveness ratings, 2019 World Bank Rating



Source: World Bank

Singapore's "model" is unlikely to have been anywhere near as successful if it had not had an effective state apparatus through which 'developmental' goals could be achieved. The investment by Singapore in a high-quality bureaucracy has enabled joined-up policy development which has been flexible in the policy levers that it 'pulls' and (equally importantly) has ensured, and continues to ensure, policy measures are competently implemented.

MORE COMPLEX THAN THE CONTEMPORARY DISCUSSION SUGGESTS

It is difficult to identify with 100% certainty the factors which have been the most influential in Singapore's undoubted economic miracle. But what can be said with considerable confidence is that the idea of "Singapore" that is often promoted in British political debate and the nature of example it offers this country is simplified and overlooks what are the key lessons that this country could and should learn from Singapore.

Never mind tax and regulation. An effective activist state that invests in key industries, delivers high levels of investment (not least in world class infrastructure) and pours financial and cultural resources into education, skills and lifelong learning? Yes please.

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