

# BTI 2014 | Singapore Country Report

	scale	score	rank	trend
<b>Status Index</b>	1-10	<b>7.22</b>	# 24 of 129	
Political Transformation	1-10	5.55	# 68 of 129	➔
Economic Transformation	1-10	8.89	# 6 of 129	➔
<b>Management Index</b>	1-10	<b>5.98</b>	# 35 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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### Key Indicators

Population	M	5.3	HDI	0.895	GDP p.c.	\$ 61803.2
Pop. growth <sup>1</sup>	% p.a.	2.5	HDI rank of 187	18	Gini Index	-
Life expectancy	years	81.9	UN Education Index	0.804	Poverty <sup>3</sup>	% -
Urban population	%	100.0	Gender inequality <sup>2</sup>	0.101	Aid per capita	\$ -

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

Despite having weathered the financial crisis, the People's Action Party (PAP) suffered its worst election results ever in the 2011 parliamentary election, receiving a comparatively low share of the popular vote (60%). The opposition, which had been emboldened and was more unified than ever, was also able to garner its highest ever share of seats. Only months later, the candidate supported by key members of the ruling party only barely won the presidential election, with 35.2% of the vote, less than 1% more than his challenger. The government had allowed four candidates to contest the election. However, after the elections Singapore did not see any significant political changes. The ruling party remained in full control. Instead of introducing new political reforms, Lee Hsien Loong publicly apologized to Singaporeans after the general election and promised to improve the ruling party. The mainstream media remained largely biased in favor of the ruling party, even though it reported more than previously on the activities of opposition parties and civil society activists. The attempt to garner new support through a National Conversation was seen by many as merely a show because it was biased in favor of pro-government voices and ignored many others. In addition, the government threatened a number of bloggers and opposition members with defamation lawsuits. Besides discrediting those writers, the lawsuits also sought to maintain the culture of self-censorship. Many Singaporeans thus turned to the internet to pursue an alternative national conversation. The year saw a surprising increase in high-profile corruption cases with serious concerns raised about the investigation procedures of the Corrupt Practices Investigation Bureau (CPIB). Overall, the reelected Lee Hsien Loong government continued to ignore the increasing demands for pluralism and fairness in the political system.

While Singapore's economy had recovered quickly from the world economic crisis and shown rapid economic growth in 2010, this was not sustainable. Whereas GDP growth in 2011 was a reasonably good 4.9%, the growth forecast in November 2012 was 1.5% for the year, which meant that the city-state only barely avoided a recession. The main reasons for the slow growth were the

manufacturing and wholesale trade sectors, which depend on external markets that continued to be weak due to the sluggish global economy. In the coming year, economists also expect a low growth rate of between 1 and 3%. The income divide between rich and poor, which is already one of the highest in the world, continued to increase. The overall inflation also increased with serious concerns about rising housing prices. At the same time, however, unemployment remained low, at 2% in 2011 and 1.9% in September 2012. Public anger at the problems caused by liberal immigration regulations for foreigners continues to be an issue and grassroots unhappiness is likely to be one of the major reasons why the PAP lost the Punggol East by-election to the Workers Party by a wide margin of more than 10%.

## History and Characteristics of Transformation

Singapore initially gained independence from British colonial rule as an integral part of the Federation of Malaya in 1963 but separated from it in 1965 after political differences between the predominantly Chinese island of Singapore and the Malayan population in what is now Malaysia proved insurmountable. Singapore is a parliamentary republic with a unicameral legislature. The parliament is composed of members elected every five years in a first-past-the-post election and up to nine non-constituency members of parliament (NCMP) and up to nine nominated members of parliament (NMP). Currently, Singapore is divided into 27 electoral constituencies, 12 of which are single member constituencies (SMC) and 15 group representation constituencies (GRC). Since 1991, the president of the Republic of Singapore is the elected head of state. Executive power lies with the prime minister and the cabinet. When Singapore left the Federation of Malaya, its economic and political situation was fragile. It faced several problems that demanded immediate attention and drastic measures, including high unemployment, low education and health standards, inadequate housing, political polarization and racial tensions between the Malay, Chinese and immigrant Indian populations. The small size of the city-state's economy required the importation of everyday basic goods, and the necessary foreign exchange could only be obtained through exports. As a result, a regime that facilitated foreign trade was required, although the dominant economic development philosophy of the day still advocated import substitution. Under the leadership of a team of mainly English-educated lawyers, the PAP came to power through a combination of political finesse, visible dedication to the well-being of Singapore and its inhabitants, personal integrity, experience in legal matters and an unflinching and drastic application of undemocratic measures to suppress dissent against policies that they deemed necessary for Singapore's political and economic survival. In the infamous Operation Cold Store of 1963, the PAP organized the arrest of more than a hundred opposition politicians and labor leaders and activists in order to push Singapore's integration into the Federation of Malaya into being. When the left-wing Barisan Sosialis Party (Socialist Front, BSP), which had previously split off from the PAP, boycotted the first general elections of independent Singapore in 1968, the PAP won every seat in parliament. The BSP had already boycotted parliament from October 1966 when it decided to take its political cause to the streets and outside parliament. Since then, the PAP

has not relinquished its overwhelming parliamentary dominance. To this day, the Cambridge-educated octogenarian Lee Kuan Yew is the main political figure in the city-state. He first became prime minister in 1959, when Singapore was still under British rule but had been granted internal home rule to form a parliament consisting of both elected members and individuals appointed by the colonial power. During the years of PAP rule under Lee Kuan Yew, Singapore achieved a rare degree of political stability and economic prosperity. As a result, the city-state successfully overcame the 1997 Asian financial crisis. In contrast to neighboring Indonesia or Malaysia, no large demonstrations took place and the PAP maintained its grip on power. Although the country was hit hard by the global financial crisis in 2008, its economy picked up again and recovered quickly. Equally impressive is the fact that Singapore has managed to integrate a diverse population of Chinese, Malays and Indians into a more or less harmonious whole while simultaneously forging a collective sense of nationhood. Still, this has come at a price. Although democratic institutions exist and are maintained, they do so under the close supervision and control of the top political leadership. Criticism of state policies is interpreted as criticism of the system. Drastic measures that would not stand up in the courts of more democratic countries are used to discourage dissent (e.g., bankrupting opposition politicians through defamation suits). Singapore has traded democracy for wealth and embraced a way of life in which civil liberties, intellectual debate and political parties have become casualties of economic development. In August 2004, when Lee Hsien Loong, the son of Lee Kuan Yew, became the country's third prime minister, many hoped he and the third generation of leaders would break with Lee Kuan Yew's authoritarian tendencies. However, the government has only recently relaxed (somewhat) its strict control over both the media and criticism of official policies. This occurred only in response to the government's decreasing ability to control the use of modern information technologies. The decline of support for the regime in the 2011 general election saw some major reshuffles in the administration with both former prime ministers Lee Kuan Yew and Goh Chok Tong retiring from their cabinet positions (but remaining members of parliament). More political competition during the elections has, moreover, laid the foundations for more significant political change in the future.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Question  
Score

The Singaporean state is strong and faces no challenges to its monopoly on the use of force throughout the country. Due to the country's character as a city-state, government control of the use of force is easier to maintain than it would be in a territorial state. In March 2009, Singapore settled a 36-year-old territorial dispute with Indonesia, when it reached an agreement that extended the delimitation of the maritime border between the two countries. The agreement was finalized after three years of negotiations. The disputed border section involved the area around Indonesia's Nipah Island, which is located in the Straits of Singapore. The Straits of Singapore are the main channel for Singapore's ports and therefore of strategic importance for the city-state. Although agreement was reached, a small part of Singapore's western maritime border still remains unsettled and requires trilateral negotiations between Singapore, Indonesia and Malaysia. The maritime demarcation between the Horsburgh Lighthouse, which was awarded to Singapore by the ICJ in 2008, and a rocky outcrop that was awarded to neither Malaysia nor Singapore also require adjudication and settlement, as do the surrounding waters.

Monopoly on the  
use of force  
10

All Singaporean citizens accept the nation-state as legitimate and all individuals and groups enjoy the right to acquire full citizenship rights without discrimination. Singapore's ethnic composition is very heterogeneous and is dominated by the Chinese, who make up more than three quarters of the country's population. The second and third largest ethnic groups, the Malays and the Indians, represent 13.3% and 9.2% of the city-state's inhabitants respectively. The Singaporean state has promoted a culturally neutral concept of citizenship since 1965, which is manifested in the slogan "One nation, one people, one Singapore." In this way, the government successfully managed cultural conflicts between the different ethnic groups in the country and fostered a high level of acceptance for the concept of the nation-state. According to data provided by the East Asia Barometer, 95% of the city-state's population are proud to be a citizen of Singapore. In the last few years however, there

State identity  
10

has been clear public disquiet regarding the government's massive importation of low-skilled labor and professional workers from abroad, which has resulted in the population swelling to 5.31 million. Consequently there has been a significantly greater demand on housing, transport and medical services, leading to spiraling property prices and an inflation rate that has persistently hovered around 5%. The PAP government's loss of six seats in the last general election and its defeat in the Punggol East by-election attest to public unhappiness. A recently convened meeting at Speakers' Corner attracted more than 4,000 citizens and the agenda was clearly aimed at the government's liberal immigration policies. The government has now made it an urgent priority to ramp up the building of housing and improve its transportation network.

The Singaporean state is secular, and religious dogmas have no influence on the legal order or political institutions. Although the constitution does not explicitly define Singapore as secular, the 1966 constitutional commission report does point out that the city-state is a secular state where religious groups have no influence on the decision-making process. Religious leaders and groups are not even permitted to comment on political issues under the Maintenance of Religious Harmony Act of 1990. During the period under review, the Catholic Archbishop Nicholas Chia withdrew a letter of support for the movement to abolish the Internal Security Act in September 2012 after the government made it clear to him that he had no right to become involved in politics as it could harm social stability. The secular character of the Singaporean state is not affected by the existence of a state Shari'ah court. The court has jurisdiction if all the parties involved are Muslims or where the parties were married under the provisions of Muslim law and the dispute relates to the issues of divorce and marriage. The court was established in 1955.

Singapore has a highly differentiated administrative structure and provides all basic public services. The highly trained and skilled administration is one of the most efficient in the world. It is professional and implements the policies of the elected government. In addition, the city-state is able to fulfill its proper jurisdictional function and to enforce the law throughout the small country. The country's transport network is diverse and highly developed; the road network is particularly extensive and consists of nine expressways. Singapore's port is one of the largest container seaports in the world and Singapore Changi Airport, the country's main airport, handled over 46 million passengers in 2011, an increase of 10% compared to 2010. During the period under review, the expansion of the mass rapid transit system proceeded with the opening of the Circle Line Extension from Promenade to Marina Bay station in January 2012. In March, the government announced that the North-South Line Extension would be completed in 2014. At the same time, however, the transport system suffered major breakdowns that affected thousands of commuters. Major disruptions occurred from October to December 2011 and in March 2012. As a consequence, the government formed a Committee of Inquiry and penalized the

No interference of  
religious dogmas  
10

Basic  
administration  
10

main operator SMTR for problems in maintenance and regular checks. The government also invested in the telecommunication infrastructure. As a result, in 2012, 75% of the country's resident households had internet and broadband access. In addition, 100% of the population have access to sanitation and to a water source.

## 2 | Political Participation

Singapore has established universal suffrage and regularly holds general elections. Opposition parties are able to run in the elections and political posts are filled according to the election outcome. Suffrage is compulsory for all resident Singaporeans who are at least 21 years old. The next general elections are likely to occur in 2016 with the government having to call the next election within three years. Singaporeans have since 1993 been able to directly elect a president who holds office for a term of six years. In general, elections in the city-state are free of electoral fraud. In the event of a vacancy, it has not been clearly established whether a by-election has to be held or whether it is at the discretion of the prime minister. Despite the lack of fraud, elections cannot be considered free and fair. The ruling PAP frequently uses repressive laws to restrict the opposition and control the media. Cases of gerrymandering and a very short campaign time (often only nine days) reflect an undemocratic strain within the PAP government. Furthermore, the election department is under the jurisdiction of the prime minister's office, raising questions about its independence. In addition, the GRC system, in which a voter casts a ballot for a team of candidates, favors the ruling PAP because opposition parties often have difficulty nominating enough candidates for a constituency, resulting in walkovers for the PAP. The PAP again threatened opposition politicians with defamation suits, thereby limiting criticism of the ruling party during election campaigning. Moreover, the ruling party has resorted to pork-barrel politics in which the ruling party has asserted that constituencies in which the PAP is in control will be prioritized in public housing upgrades. Another issue that has raised concern during the 2011 election involved the serial numbers on ballots, which the government justifies as protection against voter fraud. In the 2011 election, the Workers' Party thus felt compelled to release ads reminding Singaporeans that their vote is truly secret. The mainstream media is also biased in favor of the ruling party, although the opposition has been able to gain more coverage in the recent election. Unlike in the past, opposition party rallies, which draw huge crowds, also received media attention in the 2011 general election. The 2011 presidential election was the most highly contested to date, with four candidates competing for office. The candidate supported by the ruling party only won with a slight margin over the contender with the next highest share of the vote. Finally, the long awaited by-election in Hougang SMC took place in May 2012, more than three months after the Workers' Party member of parliament had vacated his seat. There are no established legal conditions regulating whether and when by-

Free and fair  
elections

5

elections have to be held. The Workers' Party was able to maintain the seat despite attempts by the ruling party to blame the opposition party for the vacancy.

The Singaporean rulers elected in these unfair elections have the effective power to govern. The PAP dominates almost every aspect of the city-state's political, military and economic life, effectively preventing the advent of any possible veto actors. The military has strong ties to the PAP (e.g., current Prime Minister Lee Hsien Loong served as a brigadier general in the armed forces). In addition, the PAP promoted young politicians with military backgrounds, such as former army chief Chan Chuan Sing, in the May 2011 general elections. Furthermore, the Government Investment Corporation (GIC), which mainly invests in foreign countries, and Temasek Holdings, which controls most government-linked corporations, are controlled by the government. The latter is even under the direction of Ho Ching, the wife of the current prime minister. Religious groups have no influence on the PAP's effective power to govern as they have to register under the Societies Act and are thereby under the government's tight control.

Effective power to govern

2

While the constitution grants Singaporeans the right to association and to assembly, in effect these rights have been severely curtailed. In regard to association, the government has passed strict legislation that distinguishes between nongovernmental organizations and political organizations. The latter may not receive any funding from foreign sources. It has even been more restrictive in regard to assembly, which requires permits that are virtually never granted. Even indoor forums, which are allowed if they are considered private, have been obstructed. The only place for peaceful assembly since 2000 has been Speakers' Corner, an area of Hong Lim Park, which is not near any government offices or the shopping district. Since 2008, those wishing to speak there can register online; permission is usually granted if the applicant is either a Singapore citizen or permanent resident. However, there are still many limitations, some of which are publicly displayed on a board. In addition, the government has tightened the restrictions on the right of assembly in other places with the Public Order Act of 2010, which allows the police to ban a person from a public space for 24 hours on the suspicion that he or she is pursuing a political cause.

Association / assembly rights

3

In Singapore, freedom of expression is severely limited. Public debate is vulnerable to massive distortion and manipulation by strong government intervention. Laws, such as the Sedition Act, the Defamation Act or the Undesirable Publications Act, heavily restrict freedom of speech. In addition, the government also has so-called "Out-of-Bounds-Markers" to highlight when the line of permissible discourse has been crossed. Writers in the mainstream media may lose their ability to get their articles published, as happened to columnist Catherine Lim in 1994 and satirical blogger Li Kin Mun (mrbrown) in 2006. During the period under review, the serious limitations on freedom of expression and the press again became evident. A number of individuals and websites have received legal letters of demand accusing them of defamation. The incidents involved include an opinion piece from the Temasek

Freedom of expression

3



Review Emeritus (TRE) in February 2012, two postings in February 2012 and January 2013 by Alex Au, also known as yawningbread, and Singapore Democratic Party member Vincent Wijesingha for a post in December on The Online Citizen and in 2013 on Facebook. In each case, the writers chose to apologize for their remarks because the chances of winning a lawsuit in Singapore are slim. So far, the government has won every defamation lawsuit it has ever pursued. The new flurry of defamation claims has raised fears that the recent gains in regard to the freedom of expression will be curtailed again. The threat of lawsuits is aimed at intimidating writers and reinforcing the culture of self-censorship. While websites such as the Online Citizen have become more careful and are employing lawyers to check their posts, activist bloggers such as Alex Au continue to criticize the government on their blogs. Also in 2012, Dr. Chee Soon Juan settled his defamation case with a S\$30,000 payment, which was lower than the original penalty of S\$50,000 that had bankrupted him following the 2006 election. The 2011 – 2012 Press Freedom Index published by Reporters Without Borders ranked Singapore at 135, slightly better than in the previous report in 2010 when it was ranked at 136.

### 3 | Rule of Law

The constitution provides a structure for the separation of powers. However, the ruling PAP has an ongoing monopoly on power and permeates all state institutions. As a result, it is difficult to differentiate between government bodies and the ruling party. The chief justice is appointed by the president, who selects from a range of candidates chosen by the prime minister. The president makes additional appointments to judicial positions on the advice of the prime minister's office. Subordinate judges can be dismissed or transferred according to the executive's will. Due to the PAP's ongoing monopoly on the executive branch, these selection procedures and high-handedness guarantee that the PAP has a continued influence on the judicial branch. The Singaporean legal scholar Thio Li-ann has thus pointed out that the legislative and executive are "practically fused via the cabinet." The strong influence of the PAP on judicial power was shown in an April 2010 High Court decision. The court overruled a lower court's decision to acquit five activists who were charged with conducting a procession without a permit. The lower court's verdict was viewed as a landmark decision. Moreover, the PAP dominates the Singaporean parliament. As a result, there is a virtual absence of critical debates in the legislative house, which further indicates the ruling party's power over all branches.

The judiciary is institutionally differentiated and has the ability to interpret and review existing laws, legislation and policies. Channels of appeal and court administration are in place. It has been ranked as the second best system in Asia by the Political and Economic Risk Consultancy (PERC) in 2008. Despite this, judicial

Separation of powers

4

Independent judiciary

5

decisions and doctrines are not free from the influence of political decision makers. The ruling PAP's dominance over all aspects of political life in the city-state has negative effects on the independence of the judiciary in Singapore. In January 2011, the Singaporean High Court sentenced vocal opposition politician Chee Soon Juan (the leader of the Singapore Democratic Party (SDP)) to a S\$20,000 fine for speaking in public without a permit. The International Bar Association (IBA) criticized the High Court's decision and voiced grave concerns that the PAP was oppressing opposition views. Some lower court decisions such as the acquittal of five SDP members who were charged with conducting a procession without permission were first seen as welcome signs of growing independence in the judiciary. However, the High Court overturned the acquittal, dismissing these positive indications. In addition, Chee Siok Chin, a leading member of the SDP, was sentenced to several short jail terms in 2010 for distributing political flyers without a permit. These convictions have sparked criticism from the opposition and expressions of concern from overseas during the period under review. Also in 2010, Alan Shadrake, who had published a book criticizing the judiciary's handling of the death penalty, was found guilty of contempt of court and sentenced to six weeks in prison and a fine of S\$20,000. On some occasions, the judiciary has, however, shown some independence, such as its willingness to acquit the former director of the Central Narcotics Bureau (CNB) for corruption in 2013.

In Singapore, officeholders who break the law and engage in corruption always attract adverse publicity and are prosecuted rigorously under established laws. The country pays its government officials the world's highest salaries and the fight against corruption is a key component of the ruling PAP's policy. In the period under investigation, there were a number of high-profile scandals involving abuse of office. In June 2012, the government charged former Singapore CNB director Ng Boon Gay with four counts of corruption where he supposedly received sexual favors from a female IT executive in exchange for awarding contracts from the agency. The case has attracted significant media attention: conflicting accounts have raised questions about the investigation. Ng, for instance, claimed that a Corrupt Practices Investigation Bureau (CPIB) officer had threatened him by saying that he and his family would receive very embarrassing media coverage if Ng did not plead guilty to the corruption charges. The ruling has not yet been handed down. In another case, former Singapore Civil Defense Force (SCDF) chief Peter Lim was also charged with ten counts in a sex-for-contracts case. Finally, CPIB is presently also involved in a sex-for-grades case in which Tey Tsun Han, a law professor of the National University of Singapore, has been accused of giving favorable grades in exchange for sexual favors and expensive gifts. Similar to the Ng Boon Gay case, serious questions about the conduct of CPIB officials during the investigation have been raised.

Prosecution of  
office abuse

9

Civil rights are constitutionally guaranteed but are partially violated in the Singaporean state. Moreover, mechanisms and institutions to prosecute, punish and redress violations of civil rights are partly in place, but often prove to be ineffective.

Civil rights  
6

The Singaporean authorities continue to deprive individuals of rights to justice by using laws that allow detention without trial. Most prominently, the Internal Security Act (ISA) enables detention orders to be renewed every two years, which effectively allows the state to continuously re-arrest the same people. The most recent arrests under the ISA were that of Abd Rahim bin Abdul Rahman and Husaini bin Ismail in March 2012 and June 2012, respectively. They were both accused of being senior members of the terrorist organization Jemaah Islamiyah (JI). The government did not heed calls to abolish the ISA, which were voiced by Singaporean human rights groups such as MARUAH. Instead of following Malaysia's lead to scrap the ISA in 2011, the Singaporean government referred to the usefulness of the act in its efforts against terrorism. The use of the ISA and the Internal Security Department (ISD) that was created under the law have had a chilling effect on political opposition. The most infamous case is the 1987 arrest of 16 mostly Catholic social activists for their alleged involvement in a Marxist conspiracy. A number of those arrested later accused the government of torture while under detention. The victims have since formed an initiative called Function 8 that organized a number of events in 2012 to commemorate the events of 1987. The Criminal Law (Temporary Provisions) Act, which permits arrest and detention without warrant or judicial review, was extended in February 2009 until 2014. The Sedition Act criminalizes speeches with seditious tendency without defining sedition. Both these acts provide the government with legal cover to take action against its critics, thereby violating civil rights in Singapore on a massive scale. The Public Order Act of 2009 further limited the constitutional right of assembly. The government continued to justify the use of the death penalty even in drug-related cases. In response to growing pressure from the anti-death penalty movement, the government conducted a review of the mandatory death penalty. At present, the death penalty applies if, for instance, a certain amount of drugs are found on a trafficking suspect. However, the government still believes in the usefulness of the death penalty in keeping the crime rate low. Even the mandatory death penalty was merely amended and not abolished.

#### 4 | Stability of Democratic Institutions

Although Singapore's system of checks and balances is weak, its key institutions are stable. The ruling PAP controls all institutions in the city-state, thereby effectively containing political opponents. The executive is strong and its dominant position negatively affects a horizontal separation of powers in the country. The prime minister and the cabinet make all key political decisions and the parliament is subordinated to them. The Singaporean parliament is dominated by the PAP, which

Performance of  
democratic  
institutions  
3

has won the majority of seats in every election since independence. As a result, the intensity of parliamentary debate is notably low. The capability of the legislature to monitor the government is also circumscribed. In addition, the judiciary is not free from interference by the ruling PAP. In sum, the ruling PAP's dominance of all institutions continues to block democratization.

At present, the PAP government is not committed to democratic institutions. During the period under review, the ruling PAP faced an increasing level of criticism due to rising living costs. Nevertheless, the party's grip on power continues to go unchallenged, and because of this, the government's commitment to democracy and democratic institutions remains dubious. Moreover, the current Singaporean government makes no secret of the fact that it considers democracy unsuitable for Singapore. In 2005, Prime Minister Lee Hsien Loong stated that Singapore would not become a liberal democracy in the next 20 years, adding that he did not consider it a model which would work well in the city-state. He claimed that it would lead to further polarization and animosity.

Commitment to  
democratic  
institutions  
2

## 5 | Political and Social Integration

The Singaporean party system is moderately stable and socially rooted. It is a predominant party system with the PAP as the largest and most successful party. The PAP has won every election since independence and holds a two-thirds majority in parliament. Consequently, the fragmentation of the party system and the degree of voter volatility are notably low in Singapore. The government makes no secret of the fact that it considers liberal democracy unsuitable for Singapore.

Party system  
8

However, it could be said that the party system continued to become more competitive during the period under review. The ruling PAP now competes with several smaller opposition parties for Singaporean votes. The Worker's Party of Singapore (WP) was the oldest opposition party to contest the last general election. It was founded in 1957 and is the only opposition party that has regularly won at least one seat in the general election. Its current leader, Low Thia Kiang, was, together with Chiam See Tong, the only elected opposition member of parliament between 1997 and 2011. The aforementioned Chiam See Tong is the leading figure of another smaller opposition party, the Singapore's People Party (SPP). He is the longest serving opposition politician, representing the constituency of Potong Pasir in the Singaporean parliament from 1984 until 2011. The third opposition party worth noting is the Reform Party (RP), which was founded by the now deceased leading figure in the opposition, J.B. Jeyaretnam. The party is now led by J.B. Jeyaretnam's son, Kenneth Jeyaretnam, and it participated in the general election for the first time. A subsequent attempt to contest in the Punggol East by-election fell flat and he lost his deposit. Another important opposition party is the National Solidarity Party (NSP), which is under the leadership of Sebastian Teo. So far, the party has been

unable to claim a constituency seat in parliament. The last opposition party of relevance is the Singapore Democratic Party (SDP), which was founded in 1980 and is currently led by Dr. Chee Soon Juan, who was unable to contest the election as he had been declared bankrupt after a politically motivated defamation lawsuit following a previous election. Due to lack of mainstream media attention, the party's most detailed alternative program drew little attention. It was the party that had the highest gain in support and also attracted a significant number of high-caliber candidates. The party's founding father was Chiam See Tong, who currently runs for the SPP. This fact illustrates a common pattern in Singaporean opposition parties. The pool of opposition political activists who engage constructively in the political process in the city-state is rather small and fragmented but growing. The 2011 election saw many new professional candidates running for the first time. Despite this, the opposition parties agreed to contest all 27 constituencies in the 2011 general election and also agreed to avoid "three-cornered fights" in the GRCs. In the end, they failed to compete in only one constituency and there was only one multi-cornered fight. The Workers' Party was able to maintain its seat in Hougang and to gain the 5-member GRC Aljunied, while the SPP lost its only seat. As a consequence, the Workers' Party became the only opposition party in parliament. It was also able to maintain its seat after the member of parliament for the Hougang constituency was expelled from the party in 2012 following an extramarital affair and his escape from the country. The WP added one more seat after the Punggol East by-election and now holds 7 seats in parliament. In parliament, the Workers' Party has worked to bring issues that bear on public interest to light and remains an opposition party that tries hard to call the ruling party to account. However, there has been some criticism of the Workers' Party for rejecting opposition unity and for not being outspoken enough. The party has not been willing to become involved in activism such as the recent protest against the population white paper.

The PAP is the city-state's largest party and has dominated electoral competition since independence. Currently, the third generation of leaders is running the PAP, with party Secretary-General Lee Hsien Loong occupying the prime minister's office. During the period under review, formerly high-ranking party members such as Senior Minister Goh Chok Tong remarked that the party had to get their fourth generation of leaders into position in the 2011 general election in order to keep their grip on power.

Contrary to the Malaysian party system, political parties in Singapore are not openly grounded in ethnicity and can be considered catch-all parties. As a result, polarization between the parties with regard to ethnicity is notably low. Nonetheless, due to the ethnic dominance of the Chinese population, party politics are strongly determined by Chinese interests. To counteract this effect all political parties are forced to nominate election candidates of different ethnicity in the GRCs. There is a narrow

range of interest groups in Singapore, and important social interests are underrepresented.

Few interest groups can operate independently of the PAP in the city-state. The spectrum of interest groups ranges from social movements like environmental groups and community organizations that provide assistance for the poor, to professional associations such as the Law Society of Singapore. Civic groups can only act within the narrow limits set by the Singaporean authorities under strict regulations such as the Societies Act and can only comment on “political” issues if they register as political societies. This, however, places strict limitations on the groups. In the period under investigation, the political association Singaporeans for Democracy, deregistered in 2012 because of the many limitations placed upon them by the state. Moreover, under the Sedition Act there are strict restrictions on discussing issues of race and religion. Furthermore, interest groups run the risk of being co-opted by the ruling PAP if they raise relevant issues. However, there was a slight increase in activism such as signature campaigns, coalition formation, and protests confined to the Speakers’ Corner. Historically, employers’ associations have no political weight and trade unions, which have been unified under the National Trades Union Congress (NTUC), a pro-government umbrella organization, which is also closely tied to the ruling party, have adopted a cooperative relationship with the government. As a consequence, organized strikes have disappeared.

Singaporeans have an ambivalent relationship to democratic norms. According to data provided by the East Asia Barometer, 80% of Singaporeans express a desire for democracy and 85% of Singaporeans believe that democracy is the most suitable form of government for the country. Data provided by the 2002 World Value Survey support these findings (93.8% believe that a democratic system is very or fairly good). However, only slightly more than half of Singaporeans believe that elections or the right to criticize those in power are essential characteristics of a democracy. Furthermore, the majority of Singaporeans feel that the current government resembles a complete democracy and not an authoritarian system and 84.6% of Singaporeans are very or fairly satisfied with the way democracy works in their country. In addition, 15.5% of Singaporeans view the city-state as a full democracy and 75.5% feel that Singapore is a democracy, but with minor problems. Only 3.8% of Singaporeans believe that their country is not a democracy.

Nonetheless, there appears to be growing evidence that the local electorate is feeling a sense of empowerment by checking the excesses of the PAP government, particularly in relation to liberal immigration rules that have altered the texture of the country and placed a greater burden on the efficiency of public services. It has also significantly raised housing prices recently and introduced a persistently high inflation rate of about 5%.

Interest groups  
5

Approval of  
democracy  
n/a

There is a fairly low level of trust among the Singaporean population. Social and cultural barriers divide the population, especially with regard to the growing number of foreign workers. According to data provided by the East Asia Barometer, 70.4% of Singaporeans believe that they have to be careful in dealing with people. This is also reflected in the World Value Survey of 2002 in which only 16.7% of the respondents agreed that “most people can be trusted”. This places Singapore at the bottom end among the countries surveyed. Among the Southeast Asian countries, Singapore is at the bottom with regard to the rate of membership in any forms of societal associations. A huge 90.1% of Singaporeans are not members of any societal association, according to data provided by the Asian Barometer Survey (which is different from the East Asia Barometer). Higher levels of trust can be observed in relationships between relatives or neighbors. Nevertheless, social capital is notably low in Singaporean society.

Social capital  
5

That said, a strange form of social capital that galvanizes the local population against foreigners has been observed recently. Foreigners who fall afoul of local norms, like the Chinese family that complained about the smell of curry from an Indian neighboring family, and the racist rant against Malays by a senior NTUC official, have provided glue to bring locals together and celebrate their common heritage and values. Hence although this is a negative response to government policies, curiously, it has aroused a greater sense of the common good among locals.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Poverty and inequality are minor and are barely structurally ingrained in Singapore. Key indicators show a very high level of development. The country’s score in the 2011 UNDP’s HDI is 0.866, which is the third highest in Asia after Japan and Hong Kong. Globally, Singapore is in 26th place. The country’s level of development permits freedom of choice for all citizens and is comparable to OECD countries. However, the Gini coefficient indicates that there is a growing gap between the rich and the poor in Singapore. In 2007, the Gini coefficient was 0.49 (world average 0.418). According to the 2009 U.N. Development Report, Singapore had the second highest income gap between the rich and the poor among the 38 countries with very high human development, trailing only Hong Kong. The income gap was partly caused by increasing costs for housing, food and transport. Although Singapore experienced strong growth in 2010, the income gap between rich and poor increased, with high-income earners largely benefiting from the economic recovery. During the period under review, foreign workers (who earn less than Singaporeans) increasingly

Question  
Score

Socioeconomic  
barriers  
9

relied on free meals from charities. Nevertheless, there is an absence of fundamental exclusion caused by poverty, unequal access to education or deep gender discrimination. Singapore scored 0.086 on the 2011 Gender Inequality Index and was thus ranked the 8th most equal country in the world. The female literacy rate in 2011 was 94.1%, slightly less than the male (98.1%). In sum, Singapore shows a very high level of development but the income gap between the rich and the poor is increasing.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	194131.3	217200.1	245024.3	<b>274701.3</b>
GDP growth	%	-0.8	14.8	5.2	<b>1.3</b>
Inflation (CPI)	%	0.6	2.8	5.3	<b>4.5</b>
Unemployment	%	4.3	3.1	2.9	-
Foreign direct investment	% of GDP	12.8	24.7	22.8	<b>20.6</b>
Export growth	%	-7.6	18.6	3.5	<b>0.3</b>
Import growth	%	-11.2	15.9	3.6	<b>3.2</b>
Current account balance	\$ M	33482.0	62025.5	65323.0	<b>51437.2</b>
Public debt	% of GDP	101.5	99.3	105.2	<b>111.0</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	1.6	7.7	9.5	-
Tax revenue	% of GDP	13.3	13.2	13.8	-
Government consumption	% of GDP	10.5	10.4	10.2	<b>9.7</b>
Public expnd. on edu.	% of GDP	3.3	3.5	3.2	<b>3.3</b>
Public expnd. on health	% of GDP	1.6	1.4	1.4	-
R&D expenditure	% of GDP	2.43	-	-	-
Military expenditure	% of GDP	4.0	3.5	3.5	<b>3.5</b>

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.



## 7 | Organization of the Market and Competition

Market competition is consistently defined and implemented both macroeconomically and microeconomically in Singapore. There are state-guaranteed rules for market competition with equal opportunities for all market participants. The informal sector is very small. According to the 2013 World Bank “Doing Business” report, Singapore was the best country in the world in which to run a business, a ranking it achieved for the seventh consecutive time. According to the report, its top three rankings were trading across borders, dealing with construction permits and protecting investors. However, Singapore received only rank 36 in terms of registering property. It also scored relatively low on getting credit and enforcing contracts. Although key sectors such as the telecommunication or media sector have been privatized in the past, government-linked companies (GLC) managed by the PAP-controlled Temasek Holdings, the country’s second largest investment company, play an important role in several key sectors. GLCs produce nearly two-thirds of the country’s GDP and include prominent companies such as Singapore Airlines, the world’s second largest airline by market capitalization. Although GLCs operate largely independently, they compete directly with private-sector companies. Competing SMEs in the private sector had difficulties getting bank loans for building up their businesses and did not play an important role in the city-state’s economy during the period under review. Singapore’s dependency on GLCs has potential risks, as shown during the global financial crisis. In the wake of the crisis, financial experts demanded a better-balanced and competitive economy with an increasing number of private-sector companies in order to make Singapore’s economy more resilient.

Market-based  
competition  
10

The Singaporean authorities enforce comprehensive competition laws to prevent monopolistic structures and conduct. The efficient functioning of Singapore’s markets is guaranteed under the Competition Act of 2004, which is largely modeled on the UK Competition Act of 1998. The legislation covers both foreign-owned and domestic companies. The provisions were implemented in phases: First, the Competition Commission of Singapore (CCS) was set up in January 2005 with provisions on anticompetitive agreements, decisions and practices, abuse of dominance, enforcement, appeal processes, and other miscellaneous areas coming into force one year later. Remaining provisions relating to mergers and acquisitions were implemented in July 2007. However, important sectors such as telecommunications, media, energy, postal services and the airport have been exempted from the Competition Act 2004. The telecommunication sector is overseen by the Info-communications Development Authority (IDA), which issued a code of practice for competition. However, it is noteworthy that these exempt sectors include some businesses that are monopolies managed directly by the government or controlled by Temasek Holdings.

Anti-monopoly  
policy  
9

Singapore's economy is one of the most open in the world in terms of foreign trade. The country strongly supports the multilateral trading system. Singapore grants at least most-favored-nation treatment to all its trading partners, and the most-favored-nation tariff stands at zero. The only exceptions are six lines for alcoholic beverages, which are subject to specific rates. Furthermore, the city-state has bilateral trade and investment agreements with countries in various regions of the world. In 2009, a free trade agreement with China (CSFTA) came into force. As a founding member of ASEAN and the Asia-Pacific Economic Cooperation (APEC) forum, Singapore actively participates in reducing trade and non-trade barriers between member countries. In the period under review, Singapore reached agreement on a free-trade deal with the European Union, the so-called EU-Singapore FTA (EUSFTA). The trade agreement means that Singapore accepts car standards from the EU and that professional qualifications are mutually accepted. Moreover, it was described by the EU as the first green free-trade agreement. In addition to the agreements with China and the EU, Singapore has bilateral FTAs with Australia, India, Japan, Jordan, Korea, New Zealand, Panama, Peru, and the United States of America. Overall, there is network of FTAs, comprised of 18 bilateral and regional FTAs and a total of 24 trading partners. Negotiations with regard to a proposed Free Trade Area of the Asia-Pacific (FTAAP), however, did again not make any significant progress during the period under review.

Liberalization of  
foreign trade  
10

In Singapore, the banking system is solid and oriented toward international standards with functional banking supervision and minimum capital equity requirements. In 2011, Singapore's Monetary Authority of Singapore (MAS) announced capital rules whose revisions were set at higher levels than Basel III. Singapore's capital markets are well developed, and its banks are increasingly using complex derivatives for risk management and hedging. Financial services account for nearly 11% of Singapore's GDP. There were 123 commercial banks in Singapore in 2013. Of these, 6 are local banks and 117 are foreign banks. Commercial banks are licensed under and governed by the Banking Act. Despite the effects of the global financial crisis, the country's financial institutions remained stable and have ample liquidity. Furthermore, the government guaranteed all SGD and foreign-currency deposits of individuals and non-bank customers in licensed banking institutions. However the guarantee is for a maximum sum of S\$20,000 and was introduced only after Hong Kong offered a similar guarantee. Currently, there are three dominant banking groups in Singapore. The largest is the government-controlled Development Bank of Singapore (DBS). The share of nonperforming loans decreased again after a slight increase in 2009 to 2.4% and ended at 1.8% in 2010. Compared to a high of 8% in 2001, there has been great progress.

Banking system  
10

## 8 | Currency and Price Stability

Inflation and foreign exchange policies are brought into concert with other goals of economic policy and have an adequate framework in Singapore. The Monetary Authority of Singapore (MAS) operates a managed float regime. In 2011, the inflation rate significantly increased to 5.2% from only 0.6% in 2009. However, the consumer price index rose again to a high of 5.2% in March 2012, which exceeded the predictions of financial experts and was blamed on more expensive private car permits, known as certificate of entitlements (COE), by the Monetary Authority of Singapore (MAS) and the Ministry of Trade and Industry (MTI). In addition, housing related costs rose 9.8% due to higher accommodation costs, while health care rose by 3.9% and education by 3%. The consumer price index increase slowed to 5.6% in November 2012, with the biggest increase again in transport, which rose 6.2% and housing, which rose 5.2%. MAS announced that the core inflation for that month was 2%. The SGD performed strongly during the period under review. In 2011, the currency gained 5.8% of its value compared to the U.S. dollar. The U.S. dollar is presently at SGD 1.2216. According to data provided by the World Bank, the real effective exchange rate remained stable at 117.4 in 2011.

Anti-inflation /  
forex policy

9

The Singaporean government's fiscal and debt policies promote macroeconomic stability, supported in part by institutional constraints. The global financial turmoil upset Singapore's trend of years of stable macroeconomic situation and austere fiscal policy. As a result, the country's budget deficit stood at 1.1% of GDP in 2009. Furthermore, the Singaporean government tapped its reserves for the first time in 2009. In 2011, the Singaporean government was again able to generate a budget surplus, which was 0.7% of GDP. In the same year, Singapore's debt-to-GDP ratio was at 100.80%, which is very high in international comparison. The reason for the high debt-ratio is that the government borrows money from the Central Provident Fund (CPF) pool and channels it into investments. Moreover, the government surplus guarantees that Singapore's credit rating is not at risk. Nonetheless, the government, through the GLCs in particular, has been raising lots of cash in the international market through bond issues while trying to capitalize on the low interest rate regime and this has to be carefully managed to prevent excesses.

Macrostability

9

## 9 | Private Property

Property rights and regulations on acquisition, benefits, use and sale are well defined and widely enforced in Singapore. The Heritage Foundation's 2012 Index of Economic Freedom highlighted that Singapore has one of Asia's strongest intellectual property rights regimes and ranks Singapore second in Asia, trailing only Hong Kong. Furthermore, the Singaporean judiciary effectively protects private property, and contracts are secure. In addition, Singapore has ensured that its property

Property rights

9

and copyright laws are in line with underlying principles in global laws on intellectual property rights. However, problems with regard to the enforcement of property rights remain. In addition, state acquisition of land is often priced under that of the prevailing market price. Furthermore, politicians who lose a defamation suit against the ruling PAP often have to file for bankruptcy when they cannot pay the exceptionally high damages awarded. Outspoken opposition politicians run the risk of losing their assets. Beyond offering lower compensation for compulsorily acquired properties, the government, which controls the largest land bank, having acquired it very cheaply in the 1970s, makes enormous profits through tendering such properties for sale now.

In Singapore, private companies are viewed institutionally as the primary engines of economic production and are given appropriate legal safeguards. In the past, the privatization of state companies proceeded with market principles. Moreover, the government-linked corporations are run like private companies. In addition, the World Bank “Doing Business” report ranked Singapore first in 2013. The low level of bureaucratic procedures, in particular, fosters private entrepreneurship. However, the dominant role of GLCs (e.g., in the telecommunication or multimedia sector) is often viewed as an obstacle to the development of private enterprises. Moreover, the government owns a stake in many companies, either directly through its investment corporations or indirectly through the companies owned by investment corporations. The data on these structures is not fully clear. The major listed companies of Temasek alone have 20% of market capitalization. Studies have found that government-linked corporations, despite being subject to the same market pressures, have an advantage over private enterprises.

Private enterprise

8

## 10 | Welfare Regime

Social safety nets are well developed, but do not cover all risks for all strata of the population. Some parts of the population are at risk of poverty in Singapore. Social security schemes are very much centered on individual contributions to social insurances. All of the schemes targeting the poor are thoroughly means-tested and in 2010, only about 3,000 people were able to qualify for this kind of assistance. The government has officially rejected the notion of welfare, which it thinks would undermine the city-state’s work ethic and reduce its ability to compete with neighboring economies. The Central Provident Fund (CPF) is the primary social security institution for Singaporeans and permanent residents. Contributions to the CPF go into three accounts: The Ordinary Account, where savings can be used to buy a home, pay for CPF insurance, investment and education; the Special Account for investment in retirement-related financial products, and the Medisave Account for approved medical insurance. During the period of review, the government promised to strengthen the social safety nets. To achieve this, the government created the

Social safety nets

8

Ministry of Culture, Community and Youth. However, Singapore is still dependent on informal community assistance in the social safety sector. Informal community assistance is needed due to a low percentage of public expenditure on health (1.0% in 2009). Singapore has a widespread system of health care. A universal health care system coexists with a sector of private health care that provides broader care. The government appears to have a clear policy of having citizens pay their way through user fees rather than developing a comprehensive safety net and Singapore's expenditure on this sector is well below other countries at a similar level of development, such as Taiwan or South Korea.

Equality of opportunity is largely achieved in Singapore. Women and members of ethnic and religious groups have near-equal access to education, public office and employment. The female literacy rate is 91.6%, less than the male (97.4%). However, there is a lack of female representation in professional categories at managerial levels. Moreover, a 2011 poll also revealed that a mere 49% of companies are willing to hire working mothers. In terms of ethnicity, Malay households are more likely to be less well-off in socioeconomic terms than those of the Chinese majority. Low-income families and those less qualified find it increasingly difficult to make a living in Singapore. Social mobility in Singapore is moderately low compared to other countries. A measure of social stratification has set in in Singapore. This sometimes prevents those from poorer backgrounds of availing themselves of goods and services that others can afford to uplift themselves, such as private tuition, overseas travel and computers for students. This segment has also placed a disproportionate burden on the country's stretched infrastructure facilities in recent years.

Equal opportunity  
8

## 11 | Economic Performance

While Singapore's economic recovery following the global financial crisis was impressive, the country continues to be affected by the sluggish global economy. After the long period of stable growth following 2001, Singapore's economic performance was strongly affected by the global financial crisis. At the end of 2008 and the beginning of 2009, Singapore slipped into one of its worst recessions since independence. GDP growth rates for 2009 were negative at 1%. Nevertheless, the Singaporean economy recovered in mid-2009 and gained strong momentum in 2010 with 14.8% growth. By 2011 economic growth was 4.9%, below government forecasts of 5% to 7% for the year. GDP per capita (PPP) increased slightly in 2011 to \$60,688 from \$57,791 the year before. The current account balance in Singapore corresponded to \$49.56 billion in 2010. The inflation rate significantly increased again from a low of 0.6% in 2009 to 5.3% in 2011. However, the consumer price index rose again by 3.6% in November 2012 compared to the same month in the previous year. The unemployment rate for 2010 was 2.2%. In September 2012, the jobless rate stood at 1.9%. Tax revenue was at 14.1% of GDP in 2011. FDI

Output strength  
9

significantly increased in 2010 and 2011 (22.8% of GDP and 26.7% of GDP compared to 13.9% of GDP in 2009). Singapore was in sixth place globally for FDI inflows in 2011.

## 12 | Sustainability

Environmental concerns are taken into account but are occasionally subordinated to growth efforts. Environmental regulations and incentives are in place, and are largely enforced. Industrial pollution, limited natural freshwater resources and waste disposal are the nation's primary environmental problems. The Environmental Performance Index (EPI) ranked Singapore at 52 in 2012, which makes the country a modest performer. According to a study published by academics from the National University of Singapore (NUS) and the University of Adelaide in May 2010, Singapore has lost 90% of its forest, 67% of its birds, and about 40% of its mammals in the last 30 years. Furthermore, the city-state is the 32nd-highest emitter of greenhouse gases among 215 countries according to data provided by the Energy Information Administration, which provides energy statistics to the U.S. government. In the period under review, the government finalized plans for an eight-lane road to be built through Bukit Brown Cemetery, which will have significant impact on the wildlife in the area. The construction of the road will begin in 2013 and will be completed in 2016. As a compromise to environmental activists, the government decided to build an eco-linkage bridge to mitigate the impact of the road.

Environmental  
policy  
8

Singaporean education policy ensures a system of high-quality education and training, and the research and technology sector is dynamic and competitive. Investment in education and training is clearly above average as is investment in R&D. Public expenditure on education was at 3.3% of GDP in 2012, a slight increase compared to 3.2% of GDP in 2011. Expenditure on R&D was at 2.3% of GDP in 2011, which is about the same as the average in OECD countries. With the opening of Singapore University of Technology and Design in 2012, Singapore has currently six universities with a seventh university, the Yale-NUS College, expected to open in 2013. Singapore's universities rank among the best in the world. The Times Higher Education Ranking ranked the National University of Singapore 29th in the world and 2nd in Asia in 2012. The sound education policy and the high level of expenditure on R&D are highlighted by the World Economic Forum's Growth Global Competitiveness Report 2011 – 2012, which ranked Singapore second out of 142 economies. The city-state was the highest ranked economy from Asia. In the category of higher education and training, the country came second. The only limitation in the education sector is the fact that accumulating knowledge and avoiding risks has traditionally taken precedence over creative and problem-solving abilities.

Education policy /  
R&D  
10

# Transformation Management

## I. Level of Difficulty

The Singaporean government faces only low structural constraints on its capacity to govern. The Singaporean administration is not constrained either by infrastructural development or poverty. The country's level of difficulty can be compared to OECD countries. Moreover, the country is not exposed to natural disasters or pandemics. In addition, the educational system's output of a high-skilled workforce is sufficient and the level of corruption is notably low, with the fight against corruption being a key component of the ruling PAP's policy. However, the greatest structural constraint in the small size of the city-state, which for instance requires Singapore to import many important resources such as water (from Malaysia). This makes cordial relations with neighboring countries especially important. Moreover, the lopsided ethnic composition of the population (74.2% Chinese, 13.3% Malay, 9.2% Indian, 3.3% others as of 2012) requires skillful handling so as to avoid confrontation and to foster a unified Singaporean identity. Nevertheless, the large foreign population that has recently been granted residency in Singapore has stretched the country's infrastructure, in particular the transport and housing sectors. Even the government has identified these sectors as key policy priorities moving forward, given the potential political cost of losing votes and seats in elections.

Structural  
constraints

1

Traditions of civil society are fairly weak in Singapore, and are mostly limited to informal community assistance. During the colonial period, civil society was characterized by ethnic and religious groups such as clan associations, church, temple and mosque congregations. These organizations played an important role during decolonization. Nowadays, the landscape of voluntary organizations is slim and plagued by limitations imposed by the Singaporean government. In general, two different cultures of civil society have emerged within the NGO landscape. On the one hand, a group of more liberal organizations is monitoring human rights or observing the government's behavior with regard to opposition politicians. In addition, there are a number of special interest groups which deal with women's rights, the environment, and heritage preservation. While these groups have carefully avoided politics, there are a number of instances where they have become more activist. In the period under review, environmental groups joined heritage conservation groups to advocate the preservation of Singapore's largest Chinese

Civil society  
traditions

6

cemetery, through which the government has decided to build a road. On the other hand, a more welfare-oriented part of civil society has gained strength, particularly when it comes to informal community assistance for the poor. Their work was especially needed during the global financial crisis when the Singaporean economy slowed down. In general, membership of voluntary organizations is largely limited to the well-educated urban middle class. The lack of civil society traditions is reflected in the low level of social capital in Singapore. However, occasionally there is spontaneous social capital brought on by foreigners infringing on local norms that then galvanizes locals against them. Such demonstrations of social capital are in effect a signal to the government of the burdens placed on the local population owing to the country's liberal immigration policies.

There were no violent incidents based on social, ethnic or religious differences in Singapore during the period under review. In addition, conflict intensity is low. Since independence, the political elite have managed ethnic and religious cleavages by promoting a culturally neutral concept of citizenship. This conflict management helped stabilize a heterogeneous society and inhibited violent outbreaks for more than three decades. Consequently, there is no mobilization of large groups along ethnic or religious cleavages. However, the Singaporean government does use authoritarian methods to restrict public debate on questions of race or religion. Laws such as the Sedition Act restrict freedom of speech and effectively limit the confrontational nature of politics. Although ethnic and religious tensions did not increase during the period under review, differences between ethnic groups in the country remain and have to be carefully managed by the government. During the period under review, a cleavage between Singaporeans and the growing number of foreign workers became more and more evident, especially in the aftermath of the global financial crisis. Currently, foreigners make up 38% of Singapore's population, up from about 20% a decade ago. With rising housing prices and greater competition on the job market, Singaporean citizens increasingly complain about the influx of foreign workers.

Conflict intensity  
2

## II. Management Performance

### 14 | Steering Capability

The Singaporean government sets strategic priorities and generally maintains them over extended periods of time. In addition, it has the capacity to prioritize and organize its policy measures accordingly. Strategic Planning Divisions exist in several ministries within the Singaporean government. In the period under review, the government changed its priority from primarily focusing on economic growth to

Question  
Score

Prioritization  
5



dealing with rising income inequality. This included measures to help the poor, as well as curbing the inflow of foreigners. Moreover, the government promised to help public transport companies to increase their fleets by a further 20%, in addition to doubling annual health-care spending. In Singapore, the maintenance of strategic priorities is not constrained by actors outside the government such as powerful economic interests or foreign governments. However, the ruling PAP's strategic long-term aims do not include further democratization of the public sphere or the extension of democratic norms. The demands of opposition parties and human rights groups for further democratization were ignored by the Singaporean government.

In general, the Singaporean government is able to implement its policies effectively. Singapore enjoys effective policy implementation thanks in part to the absence of a true parliamentary opposition and the PAP's dominance of almost every aspect of the city-state's political, military and economic life. There are many examples. Following the global financial crisis, the government was able to quickly implement a stimulus package to boost Singapore's economy. In the period under investigation, the government has implemented higher stamp duties on property purchases by foreigners and companies in order to contain the rising property prices which are in part driven by property speculation. Singapore has also implemented tight regulations on air pollution and traffic, making Singapore one of the cleanest places in Asia. One example of this is the highly unpopular Electronic Road Pricing gates which have been installed and which charge people to use roads. When combined with the Certificates of Entitlements, these probably make Singapore the most expensive country in which to own a private car. Prices for some of the gantries were again increased in the previous year. However, besides effectively micromanaging many aspects, the executive has not carried out structural and qualitative changes in the political system in order to facilitate transformation toward a more open and participatory regime, as is the case in liberal democracies. This raises the concern that implementation of unpopular policies may lead to long-term resentment toward the government and thus might undermine stability.

The Singaporean government responds to mistakes and failures with changes. The city-state's administration shows a considerable degree of flexibility and learning capability with reference to market reforms. In addition, the government regularly seeks advice from financial experts and academics in order to implement good practices in the financial sector. The political elite, however, continue to refrain from implementing democratic reforms. Moreover, they show a low degree of political will to learn from past mistakes in order to facilitate democratic changes. In sum, the government's projects cannot be considered as a proof of its learning process or commitment to democratic norms.

Implementation  
5

Policy learning  
5

## 15 | Resource Efficiency

The Singaporean government makes efficient use of all available human, financial and organizational resources. The government's administrative personnel are highly professional. The existence of competitive recruitment systems and the high level of public sector salaries make the Singapore Civil Service one of the most efficient bureaucracies in the world. Consequently, the functioning of the administrative system is exemplary at every level of the Singaporean bureaucracy. Senior officers from the Singapore Armed Forces are regularly deployed in the administrative service as well as GLCs after their retirement, although this raises questions about nepotism. In general, the Singaporean government makes efficient use of budget resources. For the fiscal year 2011, the country's budget surplus was 0.7% of GDP. However, some investments by government-controlled Temasek Holdings – both the largest company in the city-state and under the direction of Ho Ching, the current prime minister's wife – were again criticized during the period under review. In March 2012, it was reported that the annual increase of the overall portfolio in the preceding year was less than 4%. After boosting its stake in Olam to 19% in December 2012, in January of 2013 the company was downgraded by UBS from buy to sell.

Efficient use of assets

9

The government coordinates conflicting objectives effectively and acts in a coherent manner. The cabinet under the hierarchical leadership of Prime Minister Lee Hsien Loong handled conflicts over economic or social policies effectively and achieved policy coherence. The government promises that trade-offs between policy goals are well balanced. During the period under review, there were no visible frictions within the government. Forms of coordination between different departments of the state administration are in place. The prime minister's office coordinates the activities of the ministries. For example, the National Security Coordination Secretariat (NSCS) and the National Population Secretariat (NPS), which are both located in the prime minister's office, respectively coordinate national security planning and intelligence issues, and the various government agencies involved in population-related issues. In addition, responsibilities within the government are ascribed in a transparent manner. Compared to other countries in the region, the government's capability to coordinate conflicting objectives and interests is highly effective. However, the recent white paper on the population, which was rushed through parliament without much consultation, leaves much to be desired. In the face of overwhelming unhappiness at the ground level, it makes little sense to advocate a growth in the foreign population from the current 38% to 49% by 2030.

Policy coordination

10

The Singaporean government is largely successful in containing corruption, and integrity mechanisms are in place and effective. Corruption in the civil service is by far the lowest in the region. Numerous safeguards and rigorous audit controls are in

Anti-corruption policy

9

place in the city-state. The Corrupt Practices Investigation Bureau (CPIB) is incorporated into the prime minister's office and investigates corruption in the public and private sector. It derives its jurisdiction from the Prevention of Corruption Act that was enacted in 1960. However, Singapore's anti-corruption policy is not free from criticism. During the period under review, the fact that it is under the prime minister's office has caused some concern. Particularly when it was revealed that the management software of 14 PAP-controlled town councils before the 2011 elections had been sold to a PAP-owned S\$2-dollar company called Action Information Management (AIM), which terminated the contract to the Aljunied-Hougang town council (currently ruled by the Workers' Party) in June of 2011 due to "material changes to the membership of the town council". Only after massive complaints on the internet did the prime minister order an internal investigation within the Ministry of National Development. Many Singaporeans, however, felt that the government should instead launch an independent investigation within the CPIB. The issue raised serious questions about whether the government could deal with internal matters that were tightly linked to the ruling party and/or the prime minister himself. A problem in this regard is the lack of a freedom of information act, which would give Singaporeans greater access to government information. So far the government has not responded to these demands. Furthermore, the extremely high salaries of ministers and high-ranking civil servants were increasingly criticized and viewed as legalized corruption. In addition, the strong affiliation between the ruling PAP and the state administration is viewed as problematic, especially with regard to the high salaries paid in the higher ranks of the administration. A high position within the ruling PAP increases the possibility of getting a lucrative job in the public service. Allegations of nepotism in the media have always been met with defamation lawsuits.

## 16 | Consensus-Building

In Singapore, all major political and social actors agree on the goal of a market-based economy. However, some environmental groups are critical of the fact that green-friendly economic plans are overlooked in favor of projects which could be detrimental to the environment, if profitable. Moreover, some political parties such as the Singapore Democratic Party propose more social support systems. Nevertheless, there is no politically relevant actor who can derail either the reform process or the expansion of the market economy. With regard to political democracy, however, Singaporean political and social actors cannot reach consensus. The ruling PAP continues to refrain from implementing democratic reforms aimed at facilitating transformation. Instead, it maintains that liberal democracy as practiced in the West is unsuitable for Singapore's ethnically and religiously heterogeneous society. Instead, the government believes in an elitist form of democracy which only measures the degree of support for its policies. Opposition parties, which are allowed to exist, should not be elected because they threaten the stability of the system. Naturally,

Consensus on goals

7

opposition parties have a different perspective on democracy. However, even among the opposition there are different opinions between those who support a liberal democracy, such as the Singapore Democratic Party and the Reform Party, and those who more conservative, like the National Solidarity Party or the Workers' Party.

With the ruling PAP controlling the parliamentary majority in Singapore and with anti-democratic actors in full control of the government, reformers continue to have no power to bring about democratic reforms. While interest groups such as the military or local entrepreneurs have often played an important role as anti-democratic veto powers in neighboring countries (and still do), in Singapore these groups have been successfully co-opted by the political leadership and have a strong stake in the existing political system. In general, the ruling party sees itself as the only capable political party and any other party constitutes only a threat to the survival of the city state. Even a split of the ruling party into two parties suggested in 2011 was rejected because the leadership believed that there could not be two equally qualified teams in such a small city-state.

Anti-democratic  
actors  
2

The Singaporean political leadership successfully prevented cleavage-based conflicts from escalating by adopting authoritarian means in the face of the city-state's ethnic and religious heterogeneity. Cleavage-based conflicts with regard to ethnic or religious tensions did not escalate or significantly increase during the period under review. However, the cleavage between Singaporeans and the growing number of foreign workers continued to intensify, especially in the aftermath of the global financial crisis.

Cleavage /  
conflict  
management  
8

Currently, foreigners make up 38% of Singapore's population, up from about 20% a decade ago. Faced by rising housing prices and greater competition on the job market, Singaporean citizens increasingly complain about the influx of foreign workers. The government continued to contain this cleavage by limiting the debate in the mainstream media. However, the issue also became increasingly volatile in new communication channels. One incident in particular drew massive public anger when a speeding Chinese national driving a red Ferrari ignored a red light and hit a taxi, killing himself, the driver, and his passenger. As a consequence, the Chinese ambassador went so far as to express regret for the incident. The government's main problem was the growing belief that it does not support Singaporeans but rather foreign immigrants. Critics also asserted, for instance, that immigration policy was driven by the attempt to achieve high GDP growth. In order to control the issue, the government announced further curbs on immigration in February 2012.

The city-state's political leadership only recognizes and accommodates the interests of civil society actors if they do not interfere with government policies. Laws pertaining to NGOs and other civil society groups continue to limit the space for civic activity. Any initiatives that foster a critical dialogue among Singaporean citizens have to register under the Societies Act and be controlled by the government. For

Civil society  
participation  
5

instance, the opposition internet platform the Online Citizen was told to register itself as a political association in January 2011. Singaporean civil society plays only a marginal role in agenda-setting, the formulation of policies, policy implementation and performance monitoring. The system of feedback units installed by the political leadership is controlled by the government and therefore of limited benefit for civil society groups. In 2012, civil society actors including nature groups and heritage preservation groups were able to influence the government in regard to the planned destruction of Singapore's oldest Chinese cemetery. The government announced in March that it will now build a 600 meter long bridge in order to maintain the eco-linkage, which will be more costly than the original plans. Overall, however, the influence of civil society actors in the political process remains insufficient.

There are no major injustices in the past.

Singapore experienced riots between ethnic groups on two occasions. In 1964, there were riots between Chinese and Malay groups in which 36 people were killed. At that time, Singapore was part of the Federation of Malaysia. Five years later, Singapore experienced its only post-independence communal conflicts when riots broke out as a result of the spillover of an incident on 13 May 1969 in Malaysia. In contrast to Malaysia, where one ethnic group, the Malays, shape the character of the state, the Singaporean state has promoted a culturally neutral concept of citizenship since 1965. The political leadership successfully reconciled different ethnic groups. There is however simmering anger from elderly Singaporeans educated in Chinese in the 1960s and 1970s, whose tertiary institution was shut down and whose credentials were less well-regarded when it came to hiring in the civil service. Many of them then felt that the PAP elites were Westernized and had forgotten their ethnic backgrounds.

Reconciliation  
n/a

## 17 | International Cooperation

Singapore, as a very highly developed country according to the HDI, does not require or seek support from international partners for its domestic policies. There are a few exceptions to this, such as Singapore's dependency on water from Malaysia and sand imports from Indonesia. The latter are used in land reclamation projects and are vital for Singapore's infrastructure projects. External advice with regard to the situation of human rights in the city-state is considered unwanted political interference. In addition to this, the Singaporean government blocks every attempt by international organizations to facilitate democracy and civil rights in the country.

Effective use of  
support  
9

The Singaporean government is considered a credible and reliable partner by the international community. The political leadership remains fully engaged with the World Bank, the IMF, the ADB and other international institutions such as the WTO. In addition, Singapore has signed the ASEAN Charter. Through the Singapore

Credibility  
8

Cooperation Program (SCP), Singapore provides technical assistance to developing countries around the world. However, Singapore has not signed or ratified international core treaties such as the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights or the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

The Singaporean government actively and successfully builds and expands cooperative neighborly and international relationships. It promotes regional and international cooperation. During the period under review, Singapore tried to balance its growing relationship with China by deepening its relationship with the United States. In 2012, the United States-Singapore Strategic Partnership Dialogue was announced; this aims to further strengthen cooperation between the two countries in regard to their regional development, such as a joint technical assistance program in the Lower Mekong Delta. Moreover, increasingly worried by China's assertiveness in the South China Sea, Singapore will allow the US to station up to four littoral combat ships starting in 2013. At the same time, Singapore tried to maintain a good relationship with China. Prime Minister Lee met with the outgoing Chinese President Hu Jintao in September and discussed China's role in ASEAN's Regional Comprehensive Economic Partnership initiative. In April 2012, Singapore hosted an ASEAN meeting to strengthen regional cooperation in regard to the problem of human trafficking.

Regional  
cooperation  
10

## Strategic Outlook

Despite the worst election performance in the ruling party's history, it has kept its firm grip on power during the period under investigation. There has been no significant progress toward democratic transformation, even though the elections have become more competitive. The leadership has remained firm its belief that liberal democracy is detrimental to the survival of the state and the PAP has instead argued for good governance, rather than discuss regime types. Recently, there have been mixed signals toward growing social activism. On the one hand, the government allowed the debates on the internet and also started its own National Conversation to determine the wishes of the people. It also compromised to a certain degree with civil society over the construction of an eight lane highway through an environmentally sensitive ancient Chinese cemetery. On the other hand, increasing legal threats toward commentaries on the internet have raised fears that the government is about to monitor online discussions more strictly. On the whole, the economy has continued to perform reasonably well but there are structural weaknesses, such as the continuing divide between rich and poor, rising prices and inflation, as well as concerns about Singapore's two investment funds, which are still not fully transparent.

First of all, the Singaporean government needs to realize that the present illiberal system is not in the long-term interest of the ruling party. As long as the leaders believe only they can find the right solutions, this keeps out alternative possibilities and poses great risks for the effective governance of the country. Moreover, the selection process of the leadership must be transparent and accountable so that different viewpoints can be heard. The calls for the People's Action Party to reform itself have become louder during the period under review but pundits and scholars have pointed out that it will be difficult for the party to introduce these changes in the near future. In addition, the government must become more tolerant towards alternative voices and political parties. It should allow more competition by refraining from unfair practices during the election period. This reflects poorly on the ruling party and has generated a negative feeling among many Singaporeans toward anything that the ruling party has proposed, even though Singaporeans continue to express general satisfaction with their government. In essence, the lack of significant reforms threatens the long-term legitimacy of the regime as its economy matures.

Secondly, the government needs urgently to deal with the still-growing divide between rich and poor. The government has introduced a number of measures such as wage supplements and slowing the immigration of foreign workers. The government has rejected other more radical steps. Rising prices in Singapore have increased pressure on low-skilled Singaporeans as they found it more difficult to afford housing and food. The revelation that foreign workers earn even less than their Singaporean counterparts has raised fears that foreign workers are unduly advantaged. Most importantly, the government should require that all workers, no matter their origin, are paid the same amount. Moreover, it should consider allowing independent labor unions to exist and

improve their ability to negotiate with employers on a fair salary. This could help to introduce independent mechanisms of conflict resolution, which are needed to avoid future labor conflicts.

Thirdly, recent losses at Singapore's two major investment funds have again raised demands for greater transparency. While Temasek and GIC now produce annual financial reports, the information does not go far enough. There is also no transparency on the size of GLC reserves and financial transactions between GLCs, which already have the advantage of unlimited funding compared to private sector companies. In all, Singapore should increase transparency.