

## Good climate, save for distant clouds

### Survey gives Singapore top marks but points to risks from beyond its borders

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THE Government has been rated "extremely stable". The police and the civil service have come in for praise. The judiciary has been given the thumbs up.

Once again, a detailed survey of 14 countries — polling expatriate business executives — has rated Singapore as Asia's least risky economy.

In a best-to-worst ranking from zero to 10 by Hong Kong-based Political and Economic Risk Consultancy (Perc), Singapore scored 2.74, beating Japan which had a grade of 3.13. Only Australia, with 2.69, scored better than Singapore. Both Australia and the United States (3.15) were included in the survey as a basis for comparison.

But, in this otherwise sanguine appraisal, the 2007 Comparative Country Risk Report points to one dark cloud that looms beyond Singapore's borders — but could potentially blow its way. Singapore can have little control over what Perc calls "external political risk" — or the risk from events that take place in other countries but could have a bearing on Singapore's economy. And yet, this is the area where, with a score of 4.96, the report finds Singapore most vulnerable.

"Singapore's biggest companies are investing heavily in other Asian countries where risks are much higher than in Singapore," said Perc. "The more that state-owned firms like Temasek and GIC invest abroad, the more vulnerable they are to policy changes in the countries in which they are investing. This can work against Singapore — as shown by the controversy surrounding Temasek's investment in Shin Corp in Thailand."

While the forces of globalisation may leave the Republic little option but to take this route, it has pretty much done the right things on issues where it has a say.

Apart from external political risk, the survey covered physical factors, social stability, institutional risk, domestic political risk and human resources risk. Singapore received the best scores in the last three categories. Overall, Indonesia with a grade of 6.79, received the worst score even though perceptions of the country had improved considerably since the last Perc survey was conducted in 2002.

The Singapore Government is "extremely stable" with its political leaders described as "an elite group of well-educated people who take their jobs very seriously and generally do them very well". In contrast, it said: "The political opposition is so weak as to be ineffective." This dragged Singapore's score down, somewhat.

Malaysian Prime Minister Abdullah Ahmad Badawi also came in for some praise. Those polled preferred Mr Abdullah's "less domineering" personality, compared to his predecessor Dr Mahathir's tough approach.

When it comes to policies, Singapore received an even better score than five years ago (1.32, down from 1.80).

"The Singapore Government has always scored very highly in terms of the quality of the Government's policies as perceived by foreign businessmen (in Singapore). Our latest survey is no exception," the report said. The Government is also seen "as the most effective at implementing its policies".

While expats still gave low marks to the policies of Indonesian President Susilo Bambang Yudhoyono's government, "the magnitude of improvement" was quite large — from 9.00 in 2002 to 7.88 last year.

"The government has to do more, but its policies are rated a lot better than those of the previous three governments," Perc said.

When it comes to institutional checks and balances, the survey noted that Singapore "does not really have many checks and balances to the PAP, but the ruling party sets high standards and adheres to them".

That is why Singapore scored a good grade (2.69) in this category.

"It is less a matter of institutional checks and balances existing than it is of self-policing within PAP to ensure that politicians and civil servants do not abuse their positions of power and adhere to fairly high ethical standards," said Perc.

The Philippines, on the other hand, was seen by those surveyed as having a severe corruption problem as well as having "almost too many checks and balances".

When it comes to the quality of the local banking and financial system, Singapore, with a score of 1.5, lagged behind Hong Kong (0.78). Perc described Hong Kong's financial sector as "one of the economy's strongest points". "Its banks, stock market and supporting infrastructure are world class and growing in importance as a result of the way Mainland companies are favouring Hong Kong as a market to list their IPOs."

Singapore, for its part, does not have a "local bank whose international competitiveness compares with HSBC" or "China on its doorstep". Still, Singapore has succeeded in attracting large amounts of foreign investment in financial industries.

"Its regulatory oversight is excellent, and the overall system is world class," Perc said. In the third area which Singapore did well — risks related to human resources — its workforce proficiency in English and Mandarin were cited as one of its greatest strengths. "It is one of the country's core competitive advantages, including over places like Hong Kong."

For risks relating to physical factors, such as overall quality of infrastructure and environmental problems, Singapore had the lowest score (1.65) after Australia.

The survey noted that while Singapore had been hurt by Indonesia's environmental mistakes, the country had benefited from an aggressive green campaign.

"Singapore has a better reputation than Hong Kong for air quality. This could be a factor that is driving some investment away from Hong Kong to Singapore and making the Lion City a more appealing place for many expatriates to live."

In risks related to social instability — which covers areas such as threat of religious extremism and the lack of effective channels for citizens to air their grievances — Singapore (2.75) lagged behind Japan, Australia and Hong Kong.

"Protesting in Singapore is not an effective way to prod the Government into adopting a certain policy line," the survey noted.

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