11. Singapore: staying the course

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1. Crisis management in a 'moderated democracy'

Singapore has presented itself as a unique and interesting case among nations deeply affected by the global financial crisis. The Lee thesis (after Lee Kuan Yew, who formulated it succinctly) argued in sum that freedoms and rights hampered economic growth and development (Sen 1999). The combination of a moderated democracy with limited governmental transparency and little freedom of the press, free speech or welfare rights has seen Singapore controversially typecast as a soft authoritarian and anti-democratic state. Singapore, however, has found its niche in its ability to foster liberal enterprise based on manufacturing, service and speculative investment. Singapore presents itself as a nation built on the business acumen of its people, harnessed through meticulous planning and shepherded by benevolent-paternalistic government.

The People's Action Party (PAP) has been the sole ruling political party in Singapore since 1959. Since the general election in 1963, with Lee Kuan Yew as its leader, the PAP has dominated Singapore's parliamentary democracy and has been central to the country's rapid political, social and economic development. Although the PAP professed a rejection of Western-style liberal democracy, it has, since its inception, accepted the need for some welfare spending and pragmatic economic intervention. Mauzy and Milne (2002) discern four major underlying principles of the PAP: pragmatism, meritocracy, multiracialism and communitarianism.

Singapore grew into South East Asia's wealthiest economy and, in 2008, had kept its rank for the third successive year as the easiest place to do business in the world (Brook 2008). Nevertheless, notwithstanding an average growth rate of 8 per cent between 2004 and 2007, Singapore was the first East Asian country to fall into a recession as a consequence of the global financial crisis. Due to conservative economic policies—a remnant of the 1997 East Asian financial crisis, combined with an existing well-regulated market—the exposure of Singapore's banks to sub-prime mortgages was limited. The country's reliance on foreign investment, however, and its heavy dependency on trade made it particularly sensitive to volatilities and shocks in the global financial markets, and in particular, to key exports of manufactured goods to the United States and Europe, which in the past few years accounted for nearly 33 per cent of total non-oil exports (Thangavelu 2009).

The huge losses in Singapore's wealth from the collapse of international stock markets further exacerbated already declining economic conditions. Although it was difficult to establish a true figure due to lack the of disclosure of their assets and trading activities, it was estimated that in 2008 alone the Government of Singapore Investment Corporation (GIC)—one of two government-funded institutions known as sovereign wealth funds—made an estimated loss of US\$33 billion (Paris 2009). Temasek Holding Pty Ltd, GIC's sister agency, accrued an estimated loss of US\$39 billion in the eight months between 31 March 2008 and 30 November 2008. The vulnerability of Singapore's two sovereign wealth funds was due mainly to heavy investments in distressed Western financial institutions such as Citigroup, UBS AG, Barclay's Bank and Merrill Lynch.

With the constraints on democratic accountability operating in the Singaporean political system, the potential scope for any particular crisis to threaten the political fortunes or policy commitments of incumbent leaders is limited. There is no credible opposition party and past voting behaviour in Singapore indicates that PAP office-holders are firmly in the saddle. Still, a crisis that has the potential to destabilise the key pillars of prosperity on which much of PAP's authority and public legitimacy rest, is worth closer examination. A crisis-induced rise in political disaffection among Singaporeans could have dented the long-term credibility of the PAP and, in particular, the Lee family.

Box 11.1 Singapore's financial crisis trajectory, December 2007 – March 2009

25 December 2007: Temasek Holding Pty Ltd (Temasek), a Singaporean investment fund and arm of the Singapore Government, buys a large stake in US financial services company Merrill Lynch at 13 per cent less than market value—spending \$14 billion. Temasek also holds an option to purchase a further \$600 million worth of shares by the end of March 2008.

25 June 2008: Temasek buys £200 million worth of shares in British bank Barclay's after the bank announced it would issue new shares worth £4.5 billion to bolster its finances, which had been hit by losses on US mortgage-backed securities.

29 July: Temasek increases its stake in Merrill Lynch. Temasek had previously paid \$5 billion for new shares in the company; it is now entitled to a discount totalling \$2.5 billion on this purchase. Temasek spends the discount returned to it by Merrill Lynch on an additional purchase of \$900 million worth of shares in the company at a price of \$24 a share—half of the purchase price paid in December 2007.

Mid-September: The Monetary Authority of Singapore (MAS) pledges to hold inquiries into potentially wrongly sold Lehman Minibond notes, though it does not indicate any commitment to order financial institutions to buy back the notes and denies having authority to compel financial institutions to compensate consumers. The total size of the Lehman Minibond program was S\$508 million, of which S\$375 million was sold to approximately 8000 retail investors through nine distributors. These notes are considered growth stock, as opposed to income-producing assets, of a high-risk nature.

October: Easing of monetary policy; lowering of trading band to allow depreciation of currency.

10 October: The MAS issues a statement that Singapore's policy of modest and gradual appreciation of the Singaporean dollar's nominal effective exchange rate policy, standing since April 2004, has been tightened to help mitigate inflationary pressures in lieu of sustained growth and rising commodity prices. Advanced estimates released by the Ministry of Trade and Industry show, however, that Singapore's gross domestic product (GDP) has declined by 6.3 per cent—due mainly to external shocks transmitting into a domestic slowdown in financial and trade channels.

20 October: The government moves to guarantee all Singaporean dollar and foreign currency deposits of individual and non-bank customers until 31 December 2010. The PAP sets aside S\$150 billion as sufficient to back S\$700 billion of individual deposits and non-bank customers. This is a precautionary measure to avoid any potential erosion of Singaporean banks' deposit base and to ensure an international playing field for Singapore.

Late October: The MAS establishes a US\$30 billion swap facility with the US Federal Reserve as a pre-emptive measure to ensure dollar liquidity for the Singaporean banking system.

Early November: Singapore's DBS Bank retrenches 450 workers to cut costs.

November: The government pledges \$1.5 billion to help firms secure credit, followed by a further announcement that it is ready to run a bigger budget deficit to boost the economy.

11 January 2009: Temasek acquires shares in Bank of America by converting shares it had purchased in Merrill Lynch (see 25 December 2007 and 29 July 2008) into shares in Bank of America, which had

recently purchased Merrill Lynch. Temasek now owns 3.8 per cent of Bank of America.

22 January: The government announces its 2009 'Resilience Package' totalling \$20.3 billion (8.2 per cent of GDP) made up of five components: jobs for Singaporeans; stimulating bank lending; enhancing business cash flow and competitiveness; supporting families; and building homes for the future.

6 February: Board of Directors of Temasek announces CEO, Ho Ching (wife of Lee Hsien Loong), is stepping down after Temasek's ailing performance in 2008.

2 March: United Overseas Bank shares fall about 6 per cent to S\$9.38—the lowest level in almost six years.

6 March: *Recent Economic Development in Singapore* report states that GDP has further contracted by 16.4 per cent in the fourth quarter of 2008 after the 2.1 per cent decline in the preceding quarter. It is reported as the steepest sequential contraction on record and is marked by rapid deterioration in trade-related industries and a sharp drop in financial services. Reported retrenchment of 13 400 workers in 2008 (a rise from 7700 in 2007).

2009: Government expects budget deficit of \$8.7 billion (3.5 per cent of GDP) for FY2008—a significant rise from the budget deficit of \$2.2 billion for FY2007.

2. Methodological considerations

In a bid to downplay Singapore's dire economic situation, there was marked concurrence in commentary about the unravelling of Singapore's economy by the three most significant actors in economic policy: Prime Minister Lee Hsien Loong, Finance Minister Tharman Shanmugaratnam, and the Managing Director of the Monetary Authority of Singapore (MAS) Heng Swee Keat. Below we describe and analyse the development of their rhetoric as the crisis unfolded. Analysing its reception in Singaporean public opinion, however, presented a challenge unique to the case studies in this volume.

Official censorship of the Internet, media reporting and newspapers was the primary obstacle to gauging public opinion. Although the *Singaporean Constitution* provides for freedom of speech and expression, it permits official restrictions on these rights. In practice, the government has significantly restricted freedom of speech and freedom of the press (US Department of State 2009:2a). High-level censorship and lack of credible opposition parties in Singapore ultimately had the effect of limiting, and possibly skewing, publicly

expressed opinion. Although the *Straits Times* (Singapore's highest-selling newspaper), *Channel News Asia* and *Business Times* were consulted as sources of information, it must be noted that the government has a significant influence on the printed, electronic and televised media in Singapore; thus, these three news media sources could be only loosely consulted as general indicators of public opinion.

The nine speech acts were chosen based on the grounds that they addressed the main stakeholders or, in the case of the Singaporean budget speech for 2009, provided a template for other meaning-making processes. The speech acts were analysed in accordance with the volume's analytical framework (see Chapter 2)—that is, considering their representation of the severity and causes of the crisis, the allocation of responsibility for the crisis (and its handling) and the articulation of its policy implications. In using the heuristic of the political crisis exploitation game, the degree to which the three key actors' credibility was affected by the public reception of their crisis rhetoric is also assessed. Finally, the policy crisis exploitation game was used to assess the possibility of a shift in policy away from the status quo as a result of (un)successful framing of the crisis by the three key actors.

3. Crisis development and elite rhetoric in Singapore

27 June 2008: Finance Minister Shanmugaratnam blaming (foreign) hubris

In his address to the Association of Banks (ABS), Tharman Shanmugaratnam attributed the cause of the global financial crisis to hubris after the boom of the past two decades. The long period of macroeconomic stability had led to heightened risk-taking behaviour and leveraging reaching unprecedented levels in global finance, while credit spreads on risky assets fell to exceptionally low levels. Financial engineering and the search for higher yields led to an explosion of complex financial derivatives, as such high-yield securities backed by sub-prime mortgages originating in the United States found their way into the books of financial institutions in other parts of the world, especially Europe.

Shanmugaratnam emphasised the exogenous origins of the global financial crisis, stating that Singapore's experience had been somewhat exceptional in that:

Singapore's challenges mirror those faced elsewhere in Asia, but are in some ways more pronounced. We are a price taker in the true sense, given our small size and the openness of our economy and financial markets. We cannot insulate ourselves from global prices of food or fuel, or anything else.

He alluded to the possibility that the global financial crisis would trigger a new phase in the globalised world. Monetary policy in the past had been too loose

and with this as the fundamental flaw, symptoms such as boosted aggregate demand and increased leveraging in financial markets had surfaced. He alluded to a systemic problem with Western practices of neo-liberalism—in particular, in the United States.

Although at this stage the depth and implications of the global financial crisis in Asia had not yet materialised, and the speech featured no new policy commitments, it was interesting to note Shanmugaratnam's defence of the non-prescription of fiscal policy at this early stage of the crisis. Later, Singapore's stimulus policy intervention would come to pass in the form of the so-called 'Resilience Package', totalling S\$20.5 billion, creating the largest budget balance deficit ever incurred in the city-state.

24 July 2008: monetary authority managing director Heng's 'business as usual'

At the time of Shanmugaratnam's address to the ABS General Meeting in June 2008, the depth and implications of the global financial crisis in Singapore had not been fully realised. Crisis rhetoric and framing processes in mid 2008 were largely subdued in comparison with later speeches. At a press conference marking the release of the MAS's *Annual Report*, Heng Swee Keat referred to the crisis as 'unusual market volatility' and maintained that despite external market volatilities, Singapore had still recorded strong growth, though economic activity had moderated. No radical policy had been introduced to combat the early stages of the global financial crisis.

In this press conference, Heng attributed Singapore's economic slowdown to factors beyond the control of the Singaporean Government. The rise in inflation was imputed to external developments, such as high oil prices, continued high prices of food and inflationary pressures on trading partners. Although the cause of the rise in basic living expenses and inflation was attributed to external influences, at this point, blame was not a large factor in the framing of the crisis. As Heng commented on the United States and Europe: 'The international financial system and the global economy are still facing significant challenges and downside risks. So far, prompt action by financial authorities in the US and Europe has helped avert a wider crisis. But financial markets remain uncertain and volatile.'

Overall, Heng's remarks at the press conference typified a type-2 'crisis as critical threat' posture. Although no blame had been allocated, causation had been attributed to external factors. Heng's address represented a defence of the status quo. He reassured his audience of the soundness of past MAS policies in combating rising inflation. Reminiscent of Lee's stance, Heng expressed that in the face of increasing volatility globally, there was no room for complacency

and that the MAS had tightened its monitoring of financial markets and supervision of financial institutions:

We need to remain vigilant in the face of a number of risks in the global economic and financial environment. We will continue to work closely with the industry to identify vulnerabilities and threats to financial stability through macro surveillance and stress testing. MAS' work in the coming year will continue to be driven by our mission of supporting non-inflationary economic growth, and fostering a sound and reputable financial centre.

17 October 2008: Heng managing blame

In October, Heng gave a press conference in response to stakeholders' concerns about the suspect sale of high-risk financial instruments to poorly informed retail investors, the effects of which became evident only in lieu of the global financial crisis, forcing many to forgo their entire savings, including many who could not afford to do so. This speech represented a crisis within a crisis. The PAP professed to have well-regulated financial institutions, but in light of the global financial crisis, flaws became evident.

Heng began by recognising the significance of the inappropriate selling of bonds, especially to vulnerable customers unable to absorb adverse market fluctuations without risking financial ruin. He also largely externalised the blame for the fiasco to the private sector financial institutions and their representatives, portraying the regulator (MAS) as well meaning and proactive in finding a solution to protect the most vulnerable of Singapore's investors.

The speech also highlighted, however, the pragmatic ideology of Singapore's elite. Although stressing that the MAS required financial institutions 'to have a rigorous process to look into every complaint and resolve them fairly', Heng delegated the responsibility for investigating the scandal to the very financial institutions that had sold the products to begin with. This left him open to questions about the MAS's commitment to aiding those affected. Although Heng assured his audience that there would be an independent third party overhearing complaints, he did not give operational details about how this third party could audit the decisions of financial institutions' review panels. He emphasised a self-regulating approach in putting his trust in the review panel and their chairs to conduct thorough reviews of each case and communicate their decision to their customers within a short time.

Given the PAP's traditional emphasis on detailed regulation to achieve economic prosperity and social stability, the MAS, as Singapore's de facto central bank, might have been identified as having failed to monitor closely enough the activities of financial institutions. Heng's posture in this speech was clearly a defensive one. Damage control was the name of the game.

22 January 2009: Shanmugaratnam's budget statement

Shanmugaratnam's 2009 budget statement foreshadowed the government's intended policy responses to the global financial crisis, which had begun to hit Asia hard in the preceding months. He opened by mentioning the uncertain times Singapore had fallen into and that the prospect for 2009 remained uncertain as all major economic regions of the world were experiencing a simultaneous recession. He re-emphasised that the global financial crisis had descended on Singapore from outside, as its economic fortunes were so closely tied to those of the global market: 'We had known and had highlighted the downside risks of a US recession and a worsening global credit crunch. But like other governments and the vast majority of private forecasters, we did not anticipate the speed and scale of the deterioration in the global economy in the last six months'.

Acknowledging the far-reaching implications of the global financial crisis, Shanmugaratnam mentioned systemic changes happening right across the financial sector, including in Singapore:

Several of the foreign banks, especially those with weak balance sheets globally, have been focusing on re-capitalisation in their head offices...even the stronger players, including our local banks, have taken a step back to reassess their lending strategies because of the uncertainty over the depth and duration of this recession.

He maintained that the credit situation in Singapore had held steady until October 2008, when there was a decline in credit due to a decrease in demand as well as banks becoming more cautious about the prospects of loan recovery.

Although in 2008 growth in Singapore had been much faster than in any other Asian newly industrialised country, and the government's strategy had kept unemployment low, Shanmugaratnam predicted that the worst manifestation of the global financial crisis in Singapore would be in terms of job losses. Attempting to soften the bad news, he emphasised Singapore's advantage in the global crisis in that the government was able to provide resources to respond to the immediate needs of businesses and households while not compromising long-term investment. On this issue, Shanmugaratnam claimed credit for the government having 'rigorously adhered to a prudent fiscal policy, spending within [its] means, maintaining a stable base of revenues, and building up a nest egg of reserves for contingencies'.

Shanmugaratnam also mentioned that the government, while it could help sound companies weather the storm of the global financial crisis and sharpen their competitiveness, would 'not be able to save companies that are inefficient or whose products have lost relevance or appeal in the marketplace'. In other words: the government would allow the crisis to cull inefficient or lagging businesses, while its own interventions would be aimed at supporting thriving industries.

He emphasised that the major measures taken by the government were not necessarily aimed at preserving the status quo. How well companies were able to benefit from the government's support would depend largely on how well they were able to review their business models, restructure and put efforts into improving their products and exploring new markets. This was in line with PAP's longstanding meritocratic ideology of finding Singapore's niche strength through a form of market-based natural selection. In a bid to reduce unemployment, workers were also encouraged to make significant adjustments to allow businesses to cut costs, such as accepting pay cuts, and businesses also were responsible to 'cut costs to save jobs, not cut jobs to save costs'.

To aid productivity, Shanmugaratnam detailed the Resilience Package totalling \$20.5 billion, aimed at saving jobs and helping viable companies stay afloat. He outlined that this package would not bring Singapore out of recession, but would help avoid a sharper downturn and lasting damage to the economy. Unlike the fiscal policies of foreign countries, Singapore's Resilience Package entailed a supply-side approach aimed at helping businesses retain workers by strengthening cash flow in order to provide more support and confidence for the domestic sector. This strategy reflected the government's desire to bolster Singapore's service sector in order to, like Hong Kong, develop a more competitive service and retail industry. As such, the global financial crisis provided the opportunity for the PAP to restructure and retrain the labour market so that the country could 'emerge stronger and ready to seize new opportunities, just as [we] did when [we] responded to the Asian Financial Crisis a decade ago'.

19 February 2009: Prime Minister Lee's pride in fiscal prudence

Throughout Prime Minister Lee's speech to the Standard Chartered gala dinner on 19 February—his first major utterance in recognition of the crisis—he moulded his crisis rhetoric to stress the superiority of the Singaporean model. The crisis, he said, was due to a systemic problem with Western practices of neo-liberalism. Careful not to criticise neo-liberalism itself, he found fault with the ways in which Western governments had managed their financial institutions, the effects of which were now spilling over into the local economy:

In Singapore, it is unlikely for a bank to fail due to domestic problems, but problems elsewhere may affect its operations here. If it is a major financial institution, there could be large ripple effects on the health of other banks and confidence in the entire financial sector. We will therefore need to watch for contagion and deal with systemic risk.

Lee's criticism of the West's lack of prudential care and responsibility implied a belief that its culture bred an acceptance of unnecessary risk taking and careless

disregard for the flow-on effects of individualistic behaviour that epitomised Western neo-liberal culture. This was clever politics, serving to exogenise the causes of the economic problems and at the same time reaffirm that the PAP's apprehensiveness about Western-style liberal democracy was justified and the alternative model of a controlled, phased liberalisation of the financial industry had served Singaporeans well.

In the wake of the 1997 East Asian financial crisis, the PAP had taken a pragmatic approach to liberalising the banking sector. Unlike the policies of foreign governments that installed more protectionist measures in times of recession, Singapore had eased its competition policy, exposing its banking sector to overseas rivals. Combined with consolidation of the banks, these measures served to create a stronger and more dynamic local banking sector. At the same time, however, prudent and conservative regulatory policies were implemented, which Lee now claimed had buffered Singaporean banks from exposure to toxic assets and non-performing loans (NPLs). Lee claimed credit for preparing Singapore with a well-developed 'disaster subculture' and 'safety culture' that ensured protection of banks and resources through conservative lending policies and high levels of government surveillance and interference—otherwise referred to as 'vigilance'. As a result, Singapore had been able to put away reserves in the form of high past surpluses that ultimately helped the State weather the global financial crisis.

Although Lee acknowledged that the collapse of Lehman Brothers had an unexpected impact in Singapore (and around the world) through credit-linked structure products, he ascribed this not to the failure of government supervision, but to the poor conduct of financial institutions grounded in a lack of understanding of the failing instrument they had sold. Lee took the opportunity to warn investors against future investments in complex securitisation products or investing in risks they could not bear, as such high-risk investments 'can destabilise the whole financial system in unforeseeable ways'—a reminder to Singaporeans that their foremost duty was to their country.

22 February 2009: Lee's defence of the Singaporean way

Just three days later, Lee continued his meaning-making efforts. In his speech on 22 February, he focused on the strength of Singapore as a nation and, by association, the strength and conviction of its government in looking after the best interests of Singaporeans. He acknowledged that the global financial crisis was the worst economic crisis experienced in Singapore in the past 60 years. He exogenised the causes of the problem and the responsibility for its solution by saying that in order for Singapore to recover, other economies must first recover—in particular, the United States and the European Union—which he did not expect to happen any time soon. Communication of these sentiments achieved a dual objective: it acted to absolve the government from any blame

while also playing down public expectation about the government's ability to resolve the crisis.

Lee reiterated the success of his policies that had enabled the government to store reserves from past surpluses, which fully financed the current Resilience Package, as well as the so-called Skills Programme for Upgrading and Resilience (SPUR), aimed at retraining Singapore's workforce to make it more competitive.

Lee highlighted the government's intervention through the introduction of the Credit Scheme, which had helped businesses avoid wage cuts, defer retrenchments or reduce the number of workers that had to be retrenched, while other businesses had used it to expand. With expected growth of 2–3 per cent in GDP in the next four to five years, Lee emphasised his government's proactive stance in buffering Singaporeans against the massive job losses seen in other countries—again, juxtaposing Singapore's situation with that overseas. He often drew comparisons with 'other countries' to attempt to reassure the audience that Singapore had not suffered badly comparatively, and moreover, that the PAP had been prepared and well funded to aid Singaporeans through programs to help the unemployed find jobs through training and professionals through their Professional Skills Programme (PSP). This stance was reminiscent of Singapore's rejection of a welfare state. Instead of proposing monetary aid for the unemployed, the PAP encouraged the workforce to retrain.

Lee maintained that only in Singapore could a company cut costs without massive retrenchment and he gave three reasons for this: the Job Credit spurt, Singapore's flexible wage system and flexible work arrangements. As such, Singaporean workers must aspire to be 'better than the cheaper ones, and cheaper than the better ones'. Although the global financial crisis was an exogenous problem, Singapore must endogenise its long-term interests. Instead of hiring foreign workers, jobs could be found for Singaporeans by reducing the cost of hiring Singaporeans and upgrading the skills of each Singaporean employee through training.

4 March 2009: Heng's gloomy outlook

With the local economy nosediving, Heng's address to the International Institute of Finance offered dire prognoses, designed to communicate a sense of urgency that had been lacking in Lee's and Shanmugaratnam's speech acts. Consistent with Lee and Shanmugaratnam's crisis rhetoric, Heng emphasised the unprecedented and exceptional nature of the crisis, and recognised the unconventional measures taken by financial authorities in efforts to arrest the unfolding events.

The epicenter of this crisis is the US—it is the world's largest economy, holder of the international reserve currency, and home to the largest and most sophisticated financial system. So we are talking about the core of

the global financial and economic system where severe problems arose and have since spread across borders.

The combination of European banks' and other financial institutions' significant exposure to US assets, over-leveraging and dependence on benign conditions for liquidity aided the rapid financial stresses that had travelled from the United States and into the European Union. Japan, having relied on external demand, had also been derailed by the contraction in the US and EU markets. With its own domestic activity afflicted, Japan's capacity to support other emerging economies had diminished, thus damaging those emerging economies. In 2007 alone, the United States, the European Union and Japan had accounted for 50 per cent of global GDP.

Heng predicted the possibility of a new global order, as US households might no longer be able to function as the engine for the world economy—and with no clear alternative yet in sight. On this point, his view interestingly, though subtly, deviated from that of Lee and Shanmugaratnam. For the Prime Minister and Minister for Finance, it had not been a matter of whether the United States would regain its position in the status quo, but when.

In his address, Heng called for a proactive, decisive and coordinated response from Asian financial leaders in order to counter the effects of the global financial crisis in Asia. Although he believed that since the 1997 East Asian financial crisis, fundamentals in the Asian financial system and economy had become generally sound—banks had been well capitalised and, unlike their Western counterparts, had limited exposure to toxic assets—Asian economies that were more reliant on external demand were expected to contract more sharply. Heng emphasised that although it had been important to focus on the 'here and now', structural weaknesses could emerge from short-term measures, damaging the long-term viability and health of Asian economies. As such, leaders were encouraged not to base their actions on sequential responses that had underestimated the severity of the global financial crisis. Remedial action that was too tentative or lacking in conviction could trigger renewed bouts of panic and thus delay recovery.

24 March 2009: Shanmugaratnam finetuning the message

In a speech to the Singapore Business Awards on 24 March, Shanmugaratnam acknowledged the significance of the global financial crisis as likely the deepest recession in history. The Minister for Finance did not, however, offer the same optimistic view of Singapore's situation as had the Prime Minister. Recognising that Singapore's growth had been notably affected by the global financial crisis, he did not expect the worst of the recession to surface within the next two quarters. He forecast that growth for Singapore would remain weak until at least

the end of 2010. This admittance of the dire situation of Singapore's economy was not unexpected, as the economic indicators were there for all to see.

Echoing his own and the other two leaders' assertions that the blame for the crisis lay elsewhere, Shanmugaratnam was explicit in his criticism of foreign governments and foreign politicians for not taking a hard policy line to discipline their constituencies, as well as not having provided much boost to their economies by way of discretionary spending. Their tightening of credit, according to Shanmugaratnam, had acted as a drag on the global economy and Singapore would suffer the consequences.

In contrast, he congratulated the incumbent PAP for taking forward measures during the 1997 East Asian financial crisis, which had cushioned the impact of the global financial crisis in Singapore. Furthermore, Shanmugaratnam praised Singapore's entrepreneurs. As this was an address to the Business Awards, Shanmugaratnam's audience would likely have consisted of stakeholders who would find most benefit from the PAP's measures to counter the effects of the global financial crisis. Some of the measures included supporting cash flow through reduction in corporate tax, property tax rebates, the enhanced-loss carry-back scheme to help companies making losses and foreign-sourced income exemption. He also foreshadowed a suite of other business-friendly measures—for example, a reduction in administrative speed bumps and reducing regulatory roadblocks. Shanmugaratnam also highlighted small and medium enterprises (SMEs) as a point of focus for future growth whereby they would be encouraged to expand globally, at the same time appealing to foreign SMEs to invest in Singapore. He also proposed to introduce an integrated system of financial reporting to lighten the regulatory compliance burden of companies, especially SMEs. Most significantly, he highlighted the government's decision to enter into a risk-sharing scheme with banks to encourage banks to continue lending to SMEs by moderating the risks. Although these measures were proposed to encourage competition and coordination among businesses, it is interesting to note that some of the measures proposed would draw corporate governance away from the democratic issue of corporate transparency.

28 March 2009: Lee's call for unity

In Prime Minister Lee's speech to the Manual and Mercantile Workers' Union (the biggest and one of the oldest unions in Singapore) on 28 March, he took a defensive stance. This presented a significant variation from his previous speeches, revealing deeper concerns about the local impact of the crisis. In what by now had become a familiar mantra, Lee first exogenised responsibility and blame for the global financial crisis and attributed Singapore's current plight to the United States and Europe, omitting more endogenous contributing factors such as Singapore's heavy dependence on speculative trade. Lee acknowledged that while recent US Government crisis measures were helpful, the global storm

had, inevitably, produced a surge in unemployment, particularly in Singapore's manufacturing sector, tourism and transportation businesses. Although job losses had so far not affected the service sector, Lee advised Singaporeans to brace themselves, as eventually the service sector would also be affected.

Lee's thinly veiled concern in this speech was about social stability. Pointing to France, where three million people had taken to the streets in protest against the policies of President, Nicolas Sarkozy (see further Windle, this volume), Lee feared the discontent of the unemployed and impoverished would trigger fear and frustration. Eventually the unemployed would look for someone to blame and would lash out at governments. Highlighting the social impact of recession in this way, Lee betrayed an awareness of the growing unrest among the Singaporean workforce. He then attempted to address this issue before it could potentially become a crisis situation in itself, urging Singaporeans to unite in times of duress. He stressed that tripartite cooperation between the government, workers (and unions) and businesses had never been more important. Its strength had to be preserved in these times of economic decline.

Lee reiterated once again that Singapore had no control over its external environment and must do the best with what was available to it. Singapore, being a 'price taker', had to accept and operate within global economic constraints. As such, the PAP had been capable of only buffering Singaporeans from the worst effects of the global storm—limiting their overall responsibility.

Policies covered by Lee in this speech were largely in line with the PAP's longstanding rejection of protectionist measures and welfare payments to the aged or unemployed. Rather, Lee encouraged workers to accept demotions, pay cuts and, alternatively, retrain to work in a different industry as job opportunities presented themselves. The government had, as part of its Resilience Package, set up agencies to help reallocate the unemployed to available jobs—at times in different fields—as well as encouraging the aged to continue working.

As such, based on a loose assessment of the employment situation, the likely outcome of the crisis-exploitation game would be elite escape with little change in public opinion regarding Lee's credibility. In part, this could be attributed to Lee's and the PAP's consistent and established political and economic ideology, which had been endogenised by the majority of Singaporeans. Based on the issue of unemployment alone, a paradigm shift would be an unlikely event, thus a policy stalemate between the opposition and the PAP would likely endure.

4. Framing the financial crisis in Singapore: analysis and conclusions

Perhaps not surprisingly in a highly centralised system of government, there was a great deal of consistency between the messages of the three leaders. The core refrain was as follows: this is a nasty crisis; it has been caused overseas; we

are well placed to weather the storm; we are doing everything we can to enhance business competitiveness, but we have to accept that our dependence on our major trading partners' economies is overwhelming; as long as they are in recession, we will face significant uncertainty and unemployment; but we cannot allow this to diverge us from our tried and tested approach to creating long-term prosperity.

In the majority of speeches analysed in this chapter, the speakers directed the cause and responsibility towards the United States as the origin of the global financial crisis. Further to this, with varying degrees of explicitness, they lamented the failure of US legislators and regulators to diagnose and manage the health and viability of its financial markets and banking system. Heng even expressed some doubt about the United States' ability to fully recover—alluding to possible long-term changes in the world order, the substance of which might become clear only after the global financial crisis and its effects had fully dissipated.

Singapore has been known as the financial and business hub of East Asia. With the pride of the nation hinging on its commercial success and high standard of living, economic crises pose an existential threat to this small city-state. In what could be construed as an attempt to regain consumer confidence and confidence in its leaders, the most prominent hallmark of the three key actors' crisis framing was the propensity to deflect blame—mostly towards foreign governments and organisations, but also, to a lesser extent, to naive domestic investors and misconduct within some domestic financial institutions.

Though comparatively small, some differences in tone and emphasis are notable. Lee's unflinching optimism about Singapore's capacity to weather the storm was not fully met by Shanmugaratnam and Heng, who were more inclined to stress the fragility of the situation (while sharing Lee's staunch defence of the government's past and present economic policies). Overall, however, the impression one gets is that whether spontaneously or by purposeful coordination, the speeches all served the same underlying purpose: to consolidate and strengthen the PAP's political capital and at the same time advance and defend longstanding PAP policies. On this line, the PAP has, arguably, successfully turned a crisis situation into an opportunity to implement pragmatic, and perhaps otherwise unacceptable, policies that will redirect and reshape Singapore's business community in ways that fit the PAP's vision for the future of Singapore.

At the same time, the proactive attitude shown by the PAP in its attempts to buffer Singapore from the worst of the effects of the global financial crisis might not have been for purely pragmatic purposes. With Prime Minister Lee often being accused of attaining his position through nepotism, the global financial crisis might have come at a good time for him to prove himself as being as indispensable to Singapore as Lee Kuan Yew had been, and that the PAP's role

in Singapore society was still viable and not yet redundant. Even in a 'managed democracy' political leaders must, to a considerable extent, accept the discipline of public criticism and social opposition (Dreze and Sen 1989).

In their meaning-making efforts with regard to the global financial crisis, the ruling party injected their values into their depiction of the situation and their narratives of severity, causality and responsibility. Whether Lee's or the PAP's private sense making coincided with their public pronouncements remains unclear. With the memory of the 1997 East Asian financial crisis and Singapore's vigorous and largely successful response to it still looming large in their own (and, presumably, the Singaporean public's) minds, they might have believed their own, self-confident rhetoric. Politically, barring a total economic collapse, it is unlikely that there will be any significant paradigm shift or substantial damage to the long-term image of the Lee family or the PAP as a result of this crisis.

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