Singapore

avenir special

Surviving by success

Poster enclosed

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Director Avenir Suisse

Singapore's founding father, Lee Yuan Kew, declared that Singapore should aim to emulate Switzerland after attending a meeting of the Socialist International there in 1967. Now, almost 50 years later, Singapore has caught up with or even overtaken Switzerland in many ways. While Switzerland still serves as a role model for Singapore in many respects, there are now some aspects about the Asian state that could give Switzerland cause for envy. This is what prompted the two economic policy think tanks Avenir Suisse and the Institute for Policy Studies (IPS) to organise joint seminars – one in Singapore and one in Switzerland – under the heading "Learning from each other". Singapore is interested, for example, in Switzerland's dual education system and research policy, which has made it one of the most innovative countries in the world. Meanwhile, Switzerland is keen to find out more about Singapore's experiences with mobility pricing and its home ownership policy. There are also some challenges – the problems of an ageing society or immigration, for instance – which both countries face, but have so far dealt with in completely different ways.

Although the two countries are united by many similarities – population size, a scarcity of raw materials, prosperity, the importance of the financial sector and being surrounded by larger states, for example – their approaches to these issues are often significantly different. This provides an ideal basis for learning from one another. There is one major distinction, however: Singapore's political system is structured from the top down, whereas Switzerland's is organised from the bottom up. There is a deep divide between the paternalism of the Asian city state and the democracy of the Swiss Confederation. Singapore is run like a business, its civil servants receive a similar level of pay to corporate managers and the speed of implementation is often breathtaking. This may be a far cry from the world's oldest democracy, but that is no reason not to take inspiration from these experiences. That is the aim of the articles in this publication: to encourage people to take a bold approach to thinking about Switzerland.

Contents

Mutual inspiration

Vastly different though their political systems may be, on closer inspection it seems there are some striking parallels between Singapore and Switzerland. The European nation could draw a lot of inspiration from the Asian city state.

"Singapore and Switzerland: Learning from each other"

On 7 May 2014, Avenir Suisse and the Singaporean think tank "Institute of Policy Studies (IPS)" organised a seminar entitled, "Singapore and Switzerland: Learning from each other" at Swiss Re's "Centre for Global Dialogue" in Rüschlikon, Switzerland. The following topics were discussed in three sessions:

- Mobilising talent for good governance
- Migration and integration – diversity and its strengths
- Urban liveability and sustainability

Various articles in this "avenir special" refer to these topics. They tie in with the speeches of the Singaporean guest speakers – in one form or another. Presentation title and the speaker's name are given as source at the end of each text.

How Singapore is embracing the future

At a conference on "Singapore and Switzerland: Learning from each other", arranged by Avenir Suisse and Singapore's Institute of Policy Studies (IPS) think tank, it was clear that, today, Switzerland can also learn from Singapore.

Verena Parzer Epp and Samuel Rutz

A small, prosperous, state which has become rather more of a magnet than it might like; a nation united by the free will of its differing peoples; a global financial centre; a multicultural society. All these descriptions fit Switzerland as well as Singapore.

That prompted Avenir Suisse and IPS in autumn 2013 to hold an initial exchange of views in Singapore, looking at the similarities and differences between the two small countries. In May 2014, Avenir Suisse used the first state visit to Switzerland by a Singaporean president for a seminar at Swiss Re's Centre for Global Dialogue in Rüschlikon to deepen discussion. Key themes included public sector administration, immigration, and urban planning. The partial attendance of President Dr. Tony Tan Keng Yam and two ministers added extra lustre.

Even if such a top-down model wouldn't be appropriate in Switzerland, Singapore's success nevertheless triggers stimulating questions.

For participants, one thing became very clear: the island state's achievement in transforming itself, in a mere half century, from a developing country into one of world's ten richest nations was no accident, but primarily the result of visionary leadership and effective execution of plans. And even if such a "top-down" model wouldn't be appropriate in Switzerland, Singapore's success nevertheless triggers some stimulating questions.

Comparing Singapore and Switzerland

	Switzerland	*Singapore*
Land area (km²)	41 285	716
Population (million)	8.1	5.4
GDP (bn. $, purchasing power parity)	434.0	425.2
GDP per capita ($, purch.power parity)	53 705	78 744

Sources: World Bank, IWF, BfS, singstat

The power of vision

Central to Singaporean policy making has been its regular definition of targets and extremely far-sighted planning. In the 1960s, guaranteeing independence was the priority – with Switzerland, Sweden and Israel taken as role-models. A decade later, raising living standards for the broad population and slum clearance were in focus. Today, an ageing population and environmental protection are priorities. With its "Sustainable Singapore Blueprint", the city state wants to pioneer sustainable urban development. Wouldn't it also be sensible for Switzerland to explore its own vision for the future? Would that also not be possible in a direct democracy? Couldn't and shouldn't future referendums be focused more on the broad strategic direction for the country than on income distribution?

A public administration like a private business

Singapore's civil servants are among the world's best paid. The public administration's website blazes: "Integrity. Service. Excellence". Benchmarking is conducted through an annual assessment, examining performance against goals, discussing staff potential and posing the occasional offbeat question, such as, "What have you done for your country?" A deliberate policy of rotating staff through various ministries improves individuals' awareness of the big picture. "High achievers" from the local school systems are offered state scholarships, possibly including study abroad, but must in return commit themselves to work as civil servants for six years after their degrees. To offer younger staff adequate career potential, all heads must vacate their post after 10 years. Should Switzerland's public administration also be run more like a private enterprise? Should young civil servants be given bigger career opportunities? And is particularly high performance adequately recognised and rewarded?

Immigration as a driver of prosperity

Singapore, as Switzerland, faces heavy immigration. The proportion of foreigners has risen from 10 % of the population in 1990 to 29 %. Today, 5.4 million people live together in a space half the size of the canton of Zurich. So in Singapore too, questions are starting to be raised about the value of immigration. Officialdom, meanwhile, continues to actively stimulate popular awareness of immigrants' significant contribution to prosperity, while promoting integration through policies of mixing locals and newcomers in schools and housing.

So in Singapore, too, questions are starting to be raised about the value of immigration.

What ways and resources might be available to Switzerland to ease the integration of immigrants and boost public awareness of their contribution to society? Are there ways to counter – while respecting civil liberties – the creation of ghettos and improve interaction between different groups?

Land squeezed by scarcity

In Singapore, land is in particularly short supply. Apart from housing, the authorities need space for infrastructure, industry and the armed forces. What is interesting here is Singapore's ability to plan horizontally, vertically, and with a long time horizon. Skyscrapers save building land and – in the effort to green urban spaces – can be used as elevated gardens. Not just pipes and cables, but roads and railways can increasingly be buried underground. Land reclamation can periodically increase the space available. When the state sells land, the building zone is limited to 99 years to give future generations flexibility to make their own decisions. Is the significance of land, a precious commodity, not undervalued in Switzerland, which is also relatively densely populated? Might skyscrapers not allow the preservation of urban green spaces and counteract sprawl? And might a broader application of zoning rules prove advantageous to Switzerland too?

A snippet more of such courageous creativity wouldn't go down too badly in Switzerland either.

Environmental protection through technology

Singapore has shown a keen readiness to experiment in environmental protection. Alongside classic nature reserves – despite its small size, the city state even boasts a genuine rain forest – technology plays a big part, whether in making big buildings more "green", as mentioned, in energy recycling, in rain water collection or at a garbage dump that, thanks to its high biodiversity, was dubbed the "Garbage of Eden" by US journalists. Isn't environmental protection in Switzerland too often seen as just "conservation"? And isn't that immediately associated with hostility to technology?

"People are all we've got", said one speaker. Singapore is an impressive example of the power of human creativity. A snippet more of such courageous creativity wouldn't go down too badly in Switzerland either.

Published online on 9 May 2014.

Shared aspirations, joint success

How Singapore combines long-term planning with pragmatism and flexibility, explained Mohamad Maliki Osman (Minister of State, Ministry of National Development & Ministry of Defence, Singapore) on the occasion of his speech at the joint seminar of the Institute of Policy Studies and Avenir Suisse in Rüschlikon, Switzerland.

Based on the speech of Mohamad Maliki Osman (7 May 2014, Rüschlikon)

Singapore and Switzerland are often ranked amongst the best in international indices such as the Global Competitive Index and the Global Innovation Index. Singapore was recently ranked the third most liveable city in the world behind Geneva and Zurich. Yet, it has much to learn from Switzerland in becoming a global liveable city.

Five decades ago, it would have been hard to imagine that Singapore would make the leap from a developing nation into a thriving global city in such a short time span. The young nation had to overcome high unemployment rates, urban slums, poor infrastructure, lack of sanitation, and an unskilled labour force. Despite its small land mass and the seemingly insurmountable challenges faced in the 1960s, Singapore has developed into a highly liveable city. It combines very dense urban structures with continually improving, high standards of living. To this end, Singapore has consistently pursued three outcomes: competitive economy, sustainable environment and high quality of life.

Long-term planning, short-term flexibility

Today's Singapore is the result of long-term visioning and planning, combined with pragmatism and flexibility. At its heart is the strategic allocation of the country's very limited land resources. The Singapore Concept Plan for urban planning addresses transportation, water management, and public housing needs – most of which are in constant conflict with each other. The Concept Plan is based on a whole-of-government approach in order to allow for the proper calculation of land use requirements and effective prioritisation. Regular reviews of land use and development policies enable timely policy intervention and operational flexibility, in tandem with changing economic and social needs.

This can be seen in the evolution of the Concept Plan over the years: In 1971, for example, the Concept Plan put people's basic needs first. To sustain Singapore's economic development and alleviate the city centre's congestion, the 1999 Concept Plan focused on the development of regional centres. The goal was to bring jobs closer to homes and provide more affordable business locations away from the city centre. Concept Plan 2001 was intended to meet the rising aspirations of a more educated population by creating more recreational places and parks. Singapore as a "City in a Garden" is also the result of these efforts. Today, the development of recreational places and parks continues to be a priority for city planners. Currently, Singapore features 5,000 hectares of parks, nature reserves, waterways, and high-rise greenery. There are also more than 200 km of "Park Connectors" – a network of pedestrian walkways and bike lanes. More than 80% of Singapore households live within 400 metres of a park.

Dynamic and sensitive urban governance is integral to creating sustainability and liveability. Good governance is about anticipating needs and challenges, thinking and planning long-term while addressing immediate needs. Singapore's mindset is best illustrated by a newly launched building project which brings a host of amenities and facilities including healthcare, supermarkets, and entertainment to the doorstep of publicly-subsidised flats catering to senior residents.

Involve the community as stakeholders

The emphasis on community engagement is seen in extensive public consultation efforts in formulating the latest issue of the Concept Plan, the so-called “Master Plan 2013”. Various interest groups, partner agencies and members of the public were heard. A public exhibition of the draft plan drew some 70,000 visitors, and the public could provide feedback via multiple channels.

Singapore’s public housing is another example of involving citizens as stakeholders. The home ownership scheme for public housing aims to nurture a sense of national identity and belonging. As homeowners, citizens have a stake in the state, benefit from asset appreciation over time, and have a safety net in their old age. Today, over 80 % of Singapore’s resident population live in housing estates developed by the state. These estates are integrated with comprehensive facilities including playgrounds and schools: Children grow up playing together, residents meet in sports facilities, coffee shops and on markets. These common places facilitate informal networking and deepen mutual trust.

Government programmes to provide a remedy

Presently, Singapore is undergoing a transition phase to achieve high-quality economic growth. It wants to create better jobs, and build a fairer and more inclusive society. Despite its developmental success, it has not yet achieved the income levels of the wealthiest economies. Singapore’s productivity level is 30 % below the level of global productivity leaders – such as the US, Japan, Switzerland, and Sweden. At the same time, Singapore is increasingly facing the pressures of rising income inequality, increasing aspirations of the young, social tensions of a diverse population, an ageing population, and a shrinking workforce as a result of falling birth rates and higher life expectancies. This is seen in the fast-declining number of working-age citizens for every retired citizen aged 65 years and above, from 8.4 in 2000 to 5.9 in 2010. It is estimated that by 2030, there will only be 2.0.

Singapore has recognised these challenges and has introduced schemes to innovation. These initiatives are intended to help create better quality jobs, increase incomes, and improve productivity. Companies are encouraged to share their productivity surplus with their employees in form of higher salaries. Additionally, programmes were introduced to boost the performance of the workforce: subsidised education and training programmes, tax incentives for innovations, and support for business expansion and internationalisation. Subsidies for educational programmes are meant to guarantee equal opportunities for students and allow for social mobility. Furthermore, access to affordable, high-quality health care was simplified. Singapore also offers subsidies for housing, mobility, retirement provisions, and advanced training.

> Singapore has consistently pursued three outcomes: competitive economy, sustainable environment and high quality of life.

Inspiring each other

The similarities shared between Singapore and Switzerland will continue to serve as a fertile foundation for both countries to share knowledge. Both countries have developed their economic success stories in the context of cultural diversity, and face the same challenge of an ageing population. Both countries can benefit a lot from one another when overcoming this challenge and others if they continue to inspire each other, to share with each other, and to learn from one another. *SiH*

The complete speech is available for download at:
www.avenir-suisse.ch/rede-maliki

Density is a relative term

With 7,500 inhabitants per square kilometre, Singapore is one of the most densely populated places on earth. Yet its government and authorities are keen to see more immigration: as far as they are concerned, this is the only way to maintain living standards.

Verena Parzer Epp

Let's start with a few figures: in Singapore, 5.4 million people live in an area measuring 716 km². That equates to 7,600 inhabitants per square kilometre. At 196 inhabitants per km², Switzerland's population density is much lower. However, considering all the talk in the run-up to the vote on the mass immigration initiative was about "Dichtestress" – anxiety over population density – the only conclusion to be drawn is this: we are "suffering" at a high level.

Faced with figures like these, it will come as no surprise to find that immigration is a controversial issue in Singapore too. The country has seen very high population growth over the past two decades (+77 % since 1990) and the proportion of "non-residents" has risen from 10 % – 311,000 people – in 1990 to its current level of 29%, or 1.55 million. The Singaporeans' unease at the rate of this growth caused the government to lose a relatively substantial number of votes in the recent parliamentary elections. Since then, it has been making efforts to restrict the proportion of low-skilled migrants coming into Singapore.

The city state's phenomenal economic upswing would not have been possible without migration.

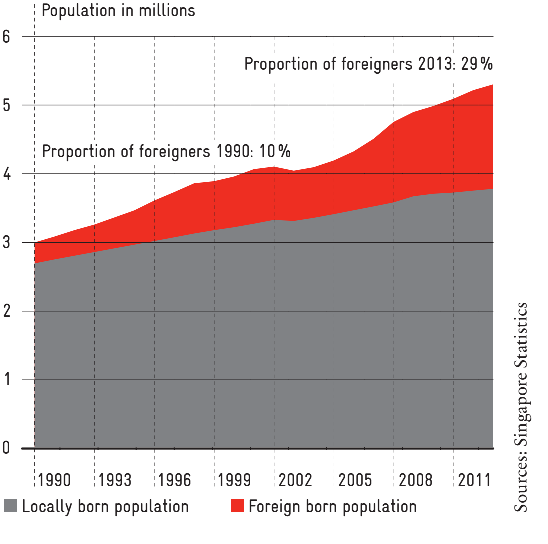
A challenge on many levels

In spite of all this, a social consensus undoubtedly still prevails and Singapore looks set to remain a country of immigration in the near future. The state authorities are taking every opportunity to point out that the city state's phenomenal economic upswing would not have been possible without migration (at purchasing power parity, its GDP per capita was 78,744 U.S. dollars in 2013, compared to a mere 22,154 U.S. dollars in 1990). Since Singaporean women give birth to just 1.29 children on average, with no immigration, the population will age rapidly and the workforce will shrink over time.

Very little is left to chance in Singapore – even integration. The authorities' efforts in this respect span many levels, the first and foremost being the country's residential districts and schools, where emphasis is placed on intermixing as well

Strong immigration flow

The country has seen very high population growth over the past two decades (+77 % since 1990).



as increasing the number of housing units. The objective here is both one of adjusting the necessary infrastructure to accommodate the current and future population, as of establishing a harmonious coexistence between the different cultures.

Tackling issues from a different perspective

The fact that the Swiss media focus primarily on the problems of population density – packed trains and expensive housing – rather than on the positive aspects of immigration is perhaps also a slight reflection of the Swiss mentality Amid this negativity, important questions are overlooked: what could be done to improve the integration of immigrants? Are there any opportunities available to make more efficient use of transport infrastructures and reduce commuting? Why are we unable to build more high-rise buildings in towns and cities? What solutions does architecture have to offer to cope with the increasing density? And, would we really be willing to bear the negative consequences of less immigration, such as a shortage of staff in the health sector or lower economic growth?

Singapore shows that a country can cope with an even higher population density than Switzerland's.

There is at least one lesson we can learn from Singapore: a country can cope with a high population density – even one significantly higher than Switzerland's – and, by taking some shrewd measures in terms of transport and settlement policy, many of the disadvantages of having a highly dense population can be avoided or overcome.

Source: "Social Integration Issues: Singapore Perspectives" presentation, CHAN David (Professor of Psychology and Director, Behavioral Science Institute, SMU), Seminar "Singapore and Switzerland: Learning from each other", Rüschlikon.

"Opening for Singaporeans only"

Singapore has introduced priority measures for locals in an effort to slow down immigration – with consequences for the economy.

And just as in Switzerland, the continuing high level of immigration to the Asian city state has triggered a social debate (see text, left). Various measures were introduced in 2011 to curb the inflow of foreign workers, especially those with only a basic level of education. Levies for low-skilled employees were raised and foreign worker quotas were tightened for individual companies. Steps were also taken to ensure local residents were given priority, and many job advertisements now include the line "opening for Singaporeans only".

It is hoped that artificially restricting the supply of cheap foreign labour will boost wages for low-skilled work. Jobs that were previously rejected by the local population should then become more attractive. Singapore is prepared to accept the cost of this strategy: a slowdown in growth. However, in the longer term – so the government argues – a shift from low-skilled to highly qualified work is expected, and increases in productivity will be achieved.

Whether this strategy will pay off remains to be seen. The measures already taken appear to have resulted in friction in the labour market, but no sign of gains in productivity. The problem is obvious: like Switzerland, Singapore has enjoyed full employment for years – the current unemployment rate stands at a mere 1.9%. As it is no longer possible to recruit labour from abroad, there appears to have been a very real reduction in performance in many areas. Complaints about missed deadlines and poor-quality work in the construction sector are on the rise (cf. also "Singapur spürt Ausländerbremse", NZZ, 13 June 2014). Even the government has become a victim of its own immigration policy and has had to postpone various large construction projects. *SR*

High density – and high stakes

Singapore's real estate market – like the country as a whole – is unique. It offers a prime example of densification on a massive scale. The state is also actively pursuing a policy of "promoting home ownership on a temporary basis".

Marco Salvi

With over five million inhabitants crammed into an area of just 700 or so square kilometres – roughly the size of the Swiss canton of Glarus – Singapore is all too familiar with the concept of urban density. Thanks to large-scale densification, each square kilometre is now inhabited by 7,600 people, compared to just 4,500 back in 1990. Coupled with high income growth, this has led to a significant rise in demand for living space. Although land reclamation has enabled Singapore to expand its surface area by 15% since independence was declared in 1965, putting up high-rise buildings has been the main way of creating residential space.

Singapore's premium-quality density is one of the factors which make it such an attractive location to do business.

International city rankings would have us believe that, so far, Singapore has tackled these challenges with masterful expertise. The rapid development has not been achieved at the expense of quality of life – on the contrary, this has been rated highly in various pan-Asian comparative surveys. Provided they are well planned and offer practical usage possibilities for ground-floor spaces, districts filled with skyscrapers give an impression of urban sophistication and a stimulating living environment – with good infrastructure playing a supporting role in this. The international reputation enjoyed by Singapore's urban development experts is testament to this success.

Nowadays, Singapore's premium-quality density is one of the factors which make it such an attractive location to do business. As well as minimising the costs of transporting both goods and people, urban density makes it easier to communicate and establish contacts – both highly valued qualities in a modern service enterprise.

A huge programme for promoting home ownership

In addition to these developments, there are other unique local features which make Singapore a fascinating laboratory of urban economics. The home ownership rate here is 85% – and not just thanks to a typically Asian preference for ownership; it is also a reflection of an actively pursued policy of "promoting home ownership on a temporary basis".

One of the key players involved in this policy is the state-run "Housing and Development Board" (HDB), by far the biggest building contractor in the Asian city state, which controls around 90% of Singapore's housing stock. The HDB plans and constructs flats, which are then sold on a lease of up to 99 years. Up to now, new flats have been offered to Singaporeans and foreign residents who have settled in the country for a good 20% less than the applicable market price. After a waiting period (usually five years), the owners may sell the property (letting is prohibited). The sale is, however, not without regulations. In order to ensure diversity, a set of ethnic quotas must be observed: none of the three main ethnicities (Chinese, Malay or Indian) must surpass specific quotas within the housing estates.

A weighty responsibility therefore falls on the shoulders of the HDB. Not only does it have to make the usual decisions taken by developers, such as specifying the development period, assessing demand (is there a need for small or large residences to be built, and to what standard?), supervising construction work and marketing – and to do this for the country's entire housing stock – but it also has to take into account numerous secondary effects that are relevant to the national economy. If demand is overestimated, as was the case in the aftermath of the Asian crisis in the late 1990s, this runs the risk of properties lying vacant and falling sales prices. It could also lead to substantial financial losses for future pensioners, who keep a large part of their pension fund assets in the form of property and are therefore dependent on increases in value. On the other hand, if property prices rise too quickly, this affects young people looking to buy their first home and stops them from establishing their own households.

Future pensioners keep a large part of their pension fund assets in the form of their own apartment.

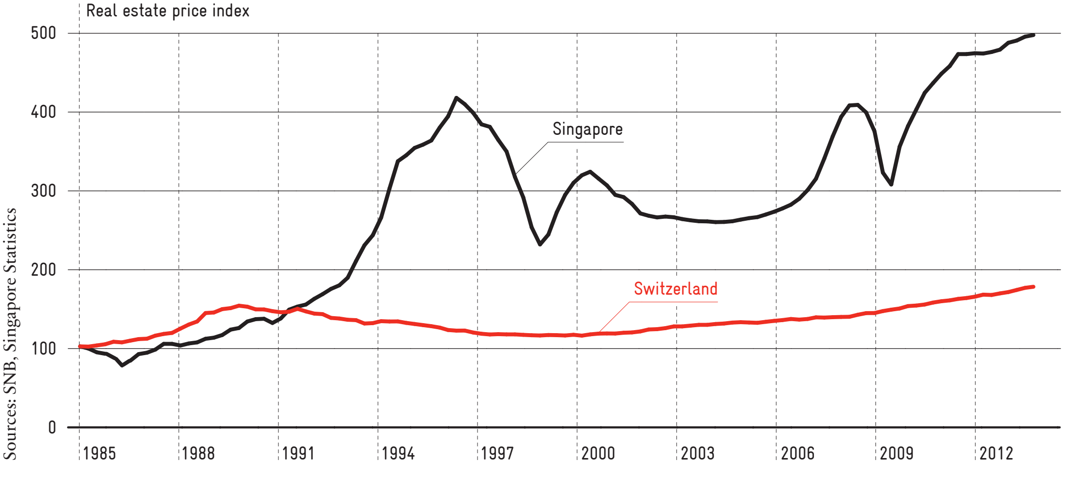
Volatile price development

Similar risks undoubtedly apply in Switzerland too, but here the emphasis is on finding predominantly decentralised solutions: those who feel the risks of owning their own home are too high can turn instead to the rental market, pension savings are invested in a diversified way, and the three-pillar system protects future pensioners from a wide range of risks. Redistribution takes place mainly via the tax system and to a lesser extent via the housing market. The Singaporean system has largely fulfilled its promise to date – even though the volatility of prices on the real estate market seems very high from a European point of view (see graph). In any case, it would still be worth following Singapore's approach more closely.

Source: "Developing Liveable & Sustainable High Density Cities – The Singapore Experience" presentation, CHEONG Koon Hean (Chief Executive Officer Housing and Development Board), seminar "Singapore and Switzerland: Learning from each other", Rüschlikon.

Rollercoaster versus autobahn

The volatility of prices on Singapore's real estate market seems very high. Since future pensioners keep a large part of their pension fund assets in the form of an apartment, they face the risk of significant asset losses if real estate prices drop.



Bonuses for civil servants?

According to international statistics, Singapore's civil service is regarded as efficient and free from corruption – but this comes at a price: Singaporean civil servants are amongst the highest paid in the world.

Samuel Rutz

Singapore has what is regarded across the world as one of the most efficient and corruption-free civil services – a fact that is repeatedly cited as a key factor in the successful development of this Asian city state. The efficiency of the Singaporean administration is reflected in, for example, the World Bank's "Ease of Doing Business" index, which evaluates the regulatory environment of businesses in every country in the world. The index, in which Singapore has held an undisputed lead for years, can be seen as an indicator of the quality of governance within a country. As the table below shows, this is an area in which Switzerland has drastically lost ground over the years by international standards. That alone is reason enough to raise the question: how does Singapore do it?

Civil service needs talents

The founding prime minister of Singapore, Lee Kuan Yew, was of the opinion that the best political ideas are basically worthless without an effective administration, manned by talented staff, that is capable of putting such ideas into practice. The structure of the administration therefore has no purpose in itself; instead it forms part of a survival strategy for a small, vulnerable country whose prosperity is not simply guaranteed. In fact, to this day, the little city state still seems to be extremely successful in making the civil service appealing to young, highly skilled and talented people, even though international competition for talent is becoming increasingly fierce and private companies often have a better hand to play than the state: besides the poor reputation that the civil service has in many countries, state remuneration systems are often inflexible and therefore cannot compete with the private sector because they do not permit adequate rewards to be paid for special qualifications.

"Integrity. Service. Excellence"

The fact that Singapore manages to maintain an exceptionally highly qualified civil service probably has a lot to do with its organisational structure. The Singaporean civil service is run along similar lines to a business and the motto that its staff are sworn to is "Integrity. Service. Excellence".

Efforts are being made on various levels to give civil servants a better understanding of wider, long-term contexts – from a historical, political, social or economic perspective, for instance – in order to prevent classic occupational hazards such as excessive formalism or a silo mentality within public authorities. This kind of interagency approach is advocated by the Civil Service

Switzerland's loss of "good governance"

While Singapore has remained at the top of the World Bank's "Ease of Doing Business" rankings since 2006, Switzerland has dropped from 14th place to 29th within the same timeframe.

	Singapore	*Switzerland*
2006	1	14
2007	1	15
2008	1	15
2009	1	19
2010	1	21
2011	1	27
2012	1	26
2013	1	28
2014	1	29

Source: http://www.doingbusiness.org

College (CSC), for example, which many of Singapore's higher-ranked officials have attended.

The Singapore Administrative Service is another institution which serves this purpose, in addition to specifically developing and recruiting the next generation of leading public service officials: it gathers together an elite level of public servants, who are given the chance to work in strategically important roles across various ministries for a specific period of time. This enables them to familiarise themselves with different aspects of state business.

In this context, the "Currently Estimated Potential" (CEP) method practised in Singapore may also play an important role. This system, which involves assessing civil servants on an annual basis, helps to ensure that the right people are appointed to the right posts (see box).

Financial incentives have a role to play

Despite its excellent reputation, young talent is not simply queuing up to join the civil service in Singapore – the private sector remains a fierce rival in the competition to attract highly skilled employees. The fact that the state does not regularly lose out in this respect is due, in part, to the following financial incentives:

- Singapore awards state grants on the condition that recipients enter the civil service for a certain number of years after completing their degree studies. The actual obligatory time period depends on the amount of the grant and the recipient's place of study: a period of approximately six years is stipulated for a degree in the USA, for example, or around four years for students undertaking university studies locally. There is an option for recipients to pay their grant back to the state, thus "buying" their way out of obligatory civil service. However, since grants of this kind usually amount to between 150,000 and 250,000 Singapore dollars, this only happens in exceptional cases.
- The highest paid officials in the world may well be found in Singaporean government offices, since the salaries for civil servants there are in line with the private sector. On the one hand, this helps to reduce the susceptibility to corruption within the civil service. On the other hand, high salaries are an important factor to compete for talent. Thus, when it comes to setting salary levels, the focus is always on what an individual with an equivalent profile would be paid in the free market. Using benchmarks like this can easily push the salary of a top civil servant towards the million mark (in Singapore dollars).
- Bonuses as part of salaries have become discredited in the Western world in recent years. This is not the case in Singapore, however, where even civil servants are rewarded with bonuses. In 2013, these bonuses (excluding the 13th month pay) amounted to 1.5 months' salary on average. In individual cases, however, these bonuses can end up several times higher depending on performance.

Not vacating a post is unwelcome

Another significant factor that makes working for the state more appealing is the strategy of consistently setting a ten year term limit at the top of the public sector pyramid: After ten years, permanent secretaries must step aside to other »

Targeted career planning

The Singaporean "Administrative Service" – the pinnacle of the Singapore Public Service – conducts annual employee assessments to its officers using the "Currently Estimated Potential" (CEP) method. As well as checking the extent to which targets have been achieved, this method focuses on examinations of each employee's long-term personal potential and systematic career planning. On the one hand, emphasis is placed on "helicopter" qualities, i.e. the ability

- to examine problems from a "bird's eye" perspective while paying attention to the relevant details;
- to use joined-up thinking both within and outside the organisation;
- to take social, political and technical aspects into account when developing solutions, while also giving due consideration to the concerns of the business world.

On the other hand, the CEP method also concentrates on personal qualities such as analytical skills, imagination, pragmatism, motivation to perform, sociopolitical awareness, the ability to delegate, decisiveness, the ability to motivate and communication skills.

posts, move on to statutory boards, or opt to leave public service altogether. This keeps promotion opportunities open for young, up-and-coming talent and minimises staff turnover by providing sufficient internal job prospects.

Averting occupational hazards

The structure, organisation and sphere of activities of the Swiss and Singaporean administrations can only be compared to a very limited extent, because many of the duties performed by the civil service in Singapore fall under the responsibility of non-government authorities in Switzerland's militia system. Interestingly, however, Switzerland may be able to achieve a similar aim to Singapore, albeit in a completely different way – non-government employees anchored in the private sector are simply less susceptible to occupational hazards of bureaucracy such as excessive formalism.

Nevertheless, it is still worth asking whether an idea or two from Singapore could be incorporated into Switzerland's professional administration, which currently comprises 183,000 employees across the country. The introduction of bonuses for civil servants may not be particularly in keeping with the times, but the question of whether grants could, if need be, be linked to a limited period of work for the state would perhaps be worthy of discussion in Switzerland too.

Similarly, the introduction of a rotation system within the administration could be seriously considered, as this would encourage decision-makers to keep their eye on the bigger picture. A restriction on how long people are allowed to remain in certain top posts would also be worth considering, with a view to offering better career opportunities for younger employees.

Source: "Mobilising Talent for Good Governance" presentation, LIM Siong Guan (Groupe President, GIC Private Limited), seminar "Singapore and Switzerland: Learning from each other", Rüschlikon.

The Swiss in Singapore

A book on the development of relationships between Singapore and Switzerland.

Ever since the founding of colonial Singapore, the Swiss have been present in the Asian city state. The book "The Swiss in Singapore" tells the stories of Swiss people – traders, naturalists and globetrotters – who have settled in Singapore. It explores the challenges faced by Helvetian immigrants in the 19th century, the opening of a consular post and later a diplomatic mission too, and the rise of Singapore's financial centre.

However, the book also reflects on the present, examining the development of economic, diplomatic and socio-cultural relationships between Switzerland and Singapore, which remain on excellent terms to this day. It also touches upon topics such as the ever-growing cooperation between the two countries in the areas of finance and research. This history of the Swiss in Singapore is illustrated by a wealth of historical and contemporary images and documents. As well as describing the past, "The Swiss in Singapore" demonstrates the future potential of the Swiss community in Singapore. *SR*

Andreas Zangger, "The Swiss in Singapore", Editions Didier Miller, Singapore, 2013.

Savings accounts as health insurance

The concept of the medical savings account is a unique feature of Singapore's healthcare system. This funding mechanism based on individual health savings accounts is designed to encourage people to take more personal responsibility and to reduce moral hazard effects. This kind of system could offer benefits for Switzerland too.

Urs Meister

Singapore's healthcare system underwent a fundamental reform in 1983/84. The launch of the "National Health Plan" led to a genuine paradigm shift. A complimentary capital-based funding system was introduced with the aim of cutting down on tax-based funding for medical costs, while also encouraging insured patients to take greater personal responsibility for funding their healthcare. Under the newly created "Medisave" programme (also known as a medical savings account), people in paid employment were obliged to build up a capital stock, which could later be used to cover any healthcare costs they incur. Medisave was developed as part of the already existing general prevention savings plan "Central Provident Fund" (CPF). The healthcare reform brought with it three essential new features:

- Firstly, responsibility for financing healthcare shifted at least in part from state level to the level of the individual.
- Secondly, Medisave does not cover all medical costs. As is the case in Switzerland, patients have to pay a contribution towards the costs out of their own funds (particularly for outpatient care).
- Thirdly, Medisave is not an insurance scheme; it is simply a mechanism for accumulating capital in an individual health savings account. The capital builds up virtually automatically, as, for the average person, healthcare costs are mainly incurred in later life.

On a basic level, the Medisave programme is similar to the Swiss occupational pension system. The contributions to Medisave savings accounts are paid by employees and employers and they increase with age and income. Yet even after the reform, some healthcare costs in Singapore are still covered by taxes. Both outpatient and inpatient services are supported by state subsidies. This means that patients in public hospitals, for example, have up to 80 % of their medical costs subsidised – depending on the type of room they are in and their income. Individual health savings accounts set up under the Medisave scheme serve primarily to pay for costs which are not covered by tax-based funding, particularly in the inpatient care sector. In addition, however, the savings can also be used to pay for exceptionally expensive outpatient services (e.g. chemotherapy), or for funding supplementary health insurance ("MediShield" high-risk insurance or private insurance).

On a basic level, the Medisave programme is similar to the Swiss occupational pension system.

The state safety net is essential

The particular challenge of this savings-based system is that individual health savings accounts only contain limited funds to cover medical costs. To prevent savings from draining away too quickly, Singapore imposes explicit restrictions on the use of funds. Medisave may only be drawn on for specific services (positive list) and only a limited amount may be used for each service. Patients themselves have to pay for any costs that exceed the maximum limit, and for services which are not on the list. However, neither of these provisions can prevent capital saved under the Medisave scheme from eventually being used up if » particularly high or regular medical costs are incurred (e.g. in the case of complex treatment or chronic illnesses). In that case, as a first resort the patient's relatives are obliged to settle any deficits using funds from their own Medisave accounts. Only when these funds are no longer sufficient can patients apply for state support in the form of welfare from what is known as the "Medifund".

Now, the Medisave programme can no longer make do without state subsidies.

Now, however, the Medisave programme can no longer make do without state subsidies. Since 2012, people over the age of 65 receive contributions from a VAT rebate scheme set up for low- and middle-income households. Contributions to Medisave form only one component of this refund/redistribution programme and they are calculated on the basis of age and the value of the patient's property. However, state subsidies like these for elderly people still cannot prevent savings from being used up at some point if exceptionally high healthcare costs are incurred. To avoid putting pressure on relatives or having to rely on state welfare, there is the possibility of taking out supplementary health insurance. A basic version of this kind of high-risk insurance is provided by the state ("MediShield"). Although this is technically voluntary, people born in Singapore are automatically covered – which means they have to explicitly opt out if they want to. In practice, the incentives for doing this are probably limited, since any application to resume this insurance cover later on may be refused or restrictions may be imposed if the applicant is already ill – as is the case with insurance models organised on a purely private and voluntary basis. As a result, most citizens of Singapore have supplementary MediShield insurance cover. The premiums paid by insured persons increase according to an age-based scale, so older people pay more. In 2013, the highest premiums (for people aged 86 to 90) were equivalent to roughly 850 Swiss francs. The insurance cover expires when the insured person reaches the age of 90.

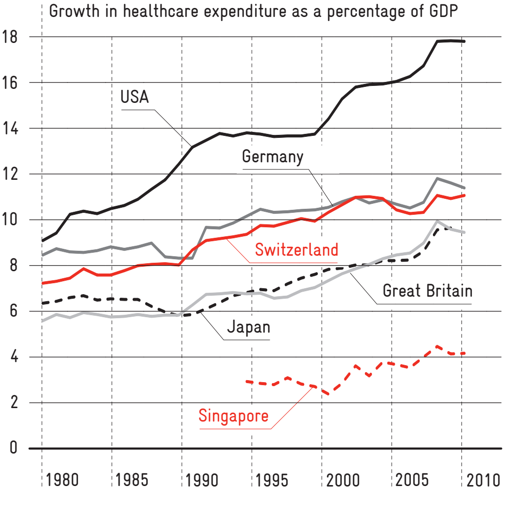
The high-risk insurance "MediShield" is currently undergoing fundamental changes. In 2015, it will be replaced by "MediShield Life". This new insurance programme will be obligatory for everyone and provide coverage for all people regardless of age. At the same time, its coverage scope will be expanded, for example, by omitting the maximum lifetime claim limit currently in effect. "MediShield Life" will also be a central state-managed risk pooling system. In the future, private supplementary health insurances will only cover patients' additional requests – much like in Switzerland these days.

Keeping costs down with Medisave

The "National Health Plan" launched in 1983 made Singapore's healthcare system more efficient. The main advantage of Medisave compared to the previous system, which was funded directly by the state, is that it specifically tackles the costly problems of moral hazard effects. If people are aware that the funds available in their indi-

Healthy and affordable

The low healthcare costs (as a percentage of the GDP) can at least in part be attributed to the existence of the Medisave programme.



Source: Avenir Suisse, based on OECD/World Bank vidual health savings accounts are limited, this encourages them to take care of their health and avoid engaging in risky activities as far as possible (reducing ex-ante moral hazard). It also makes them more likely to avoid using medical services any more than is necessary (reducing ex-post moral hazard). These effects are only slightly diminished by the supplementary high-risk insurance scheme. Ultimately, using MediShield also involves paying high contributions towards shared costs (franchise and excess). In 2011, private payments (cost sharing and out-of-pocket expenses) and contributions through private insurance (excluding MediShield) accounted for 60% of expenditure on healthcare.

Low costs of healthcare

Measured as a percentage of gross domestic product, the costs of healthcare in Singapore are very low compared to those of western countries (see graph). At the same time, broad indicators suggest that the quality of the healthcare provided is high. Singapore has an exceptionally low infant mortality rate (lower than Switzerland's), for example, and a high life expectancy (at a similar level to Switzerland's). The low costs of healthcare and their rather moderate rise since the mid-1990s could be attributed, at least in part, to the existence of the Medisave programme. Nevertheless, the reduced moral hazard problem amongst insured persons cannot account entirely for the difference in costs compared to Switzerland and other western countries. Singapore's healthcare system still benefits from a relatively low old-age dependency ratio (ratio of proportion of the population over the age of 65 in relation to the proportion aged between 20 and 64). In addition, Singapore has implemented a whole raft of measures designed to make the supply side as efficient as possible – to keep supply-induced demand to a minimum, for instance. This is reflected in Singapore's physician density, for example, which is less than half as high as Switzerland's.

Intergenerational fairness

It is worth raising the question of whether a medical savings account could improve the efficiency of Switzerland's healthcare system too. In Switzerland, the proportion of private healthcare expenditure is already relatively high by international standards (cost sharing, out-of-pocket funding and payments through private insurance add up to around 40%). Further reducing moral hazard problems is therefore only likely to have a limited effect in terms of additional cost savings. An even further increase in private participation – as in Singapore – would probably soon come up against political obstacles. Lastly, Singapore is actually considering reducing the private contribution to costs – for example, by increasing state contributions and especially by expanding and restructuring MediShield.

On the other hand, a significant benefit could be gained with regard to the increasing intergenerational redistribution caused by demographic change. In the Swiss system, with per-capita premiums and solidarity-based health insurance, the sick are financially supported by the healthy. Since the elderly claim more insurance benefits than average, healthy young people bear a large part of the overall costs. This is not so much of a problem as long as the population remains demographically stable – after all the young grow old too and they can benefit from this redistribution. As is the case with other contribution-funded social security models, however, the system falls out of balance if there are significant demographic changes with a relative decline in young people (keyword: "baby boomers"). A (partial) transition to a system with capital funding would help to mitigate the problem of intergenerational redistribution, which is why Avenir Suisse has already suggested introducing a medical savings account scheme in its book "Ideas for Switzerland".

> Measured as a percentage of GDP, the costs of healthcare in Singapore are very low compared to those of western countries.

Published online on 4 June 2014.

"Travel Smart" in Singapore

Thanks to a policy based on financial incentives, Singapore has very few traffic problems. Yet its government still sees considerable potential for improvement.

Marco Kauffmann Bossart

For anyone who has ever struggled their way through the traffic in the South East Asian cities of Jakarta, Manila or Bangkok, Singapore will come as a relief. The city state is, after all, a global pioneer when it comes to mobility pricing and technical solutions for optimising transport. Average journey times, calculated in advance using a mobile phone app, are adhered to almost without exception. Unlike in neighbouring countries, where people can be stuck in traffic jams for hours and the strain that the resulting productivity losses put on the economy, it takes extraordinary circumstances – such as floods or serious accidents – to cause traffic chaos in the densely populated state of Singapore.

A cornerstone of Singaporean traffic management is the Electronic Road Pricing (ERP), introduced in 1998. Singapore was the first country in the world to implement a city toll system in 1975.

Road tolls and certificates

The volume of traffic is kept at a manageable level thanks to prohibitively high vehicle prices. Since 1990, anyone looking to buy a new car has had to purchase a "Certificate of Entitlement" (COE) first. Periodically, the government sets a specific number of licences, with a proportion of these being auctioned off to the highest bidder. At the start of 2013, the price of the new car certificate rose to a record high of over 90,000 Singapore dollars (around 65,000 Swiss francs) due to high demand in the small car category. This has resulted in car prices which are more than three times higher than those in Switzerland, for example. In Singapore, a discount equivalent to around 12,000 Swiss francs is granted to users of "off-peak" vehicles fitted with red number plates, which are only allowed to travel on the roads during weekends and between 7.00 p.m. and 7.00 a.m. on weekdays.

One of the cornerstones of Singaporean traffic management is the Electronic Road Pricing (ERP) system, which was introduced in 1998. Singapore was the first country in the world to implement a congestion charge back in 1975, but this was limited to the Central Business District. Under the current toll system, tolls – typically between 1 and 2 dollars – are charged at gantries on roads leading into the city centre. The tariff can rise to up to 8 dollars at peak times or on routes with a high volume of traffic. The charge changes every half hour in the mornings and evenings: the greater the volume of traffic, the more it costs to get into the city. Thanks to these incentives, there has been a significant decrease in traffic jams in Singapore since the introduction of ERP. The tolls are automatically debited via an on-board recording device which every vehicle is required to have. Taxis are not exempt from ERP, but they can pass on charges to their customers.

Incentives for traffic management in public transport

Road pricing is an integral element of a transport policy which – under the slogan "Travel Smart" – focuses heavily on financial incentives, including travel on public transport. Since July 2013, users of Singapore's underground railway system, for instance, have been allowed to travel free of charge outside the rush hour if they exit at one of 16 particularly busy stations by checking out with their travel card. A 50 cent fare discount is offered anyway between 7.45 a.m. and 8.00 a.m., after which normal charges apply. Various companies based in the centre of Singapore have expressed their willingness to set up more flexible working time models so that their employees can start work earlier in the mornings and head for home early in the afternoons.

The purpose of differentiating prices at certain times is to help prevent traffic peaks during the rush hour. The prices are tiered by granting discounts outside peak times rather than by charging higher rates during periods when the traffic volume is high. Another scheme designed to achieve this objective is the "Insinc" programme. Commuters who sign up for this are awarded credit points for every kilometre they travel on the underground system (Mass Rapid Transport, MRT) or the shuttle train system (Light Rail Transit, LRT). Those who avoid the rush hour (between 7.30 a.m. and 8.30 a.m.) can accrue up to six times as many points, which the shopping-obsessed Singaporeans can eventually convert into vouchers.

In return for taking part in this pilot project, which was developed by Singapore's Land Transport Authority in cooperation with the Stanford University in the USA and the National University of Singapore, the participants agreed for their commuting habits to be analysed. The launch of the Insinc programme in 2012 has prompted 10% of commuters who had been using public transport during peak times to change their travel habits.

The people of Singapore travel around with the help of a multimodal pre-paid card that they can top up whenever they like. This card is accepted on all kinds of transport systems (MRT, LRT, bus, taxi) and it can now even be used to pay ERP tolls too. The electronic payment system enables contact-less registration. Passengers hold their cards up to a payment barrier when they enter and exit the transport system in question. The charge recorded for the route travelled and the remaining amount left on the card are shown when the passenger leaves. If the remaining amount drops below 5 dollars, a visual warning reminds the passenger that the card needs to be topped up. The same card can also be used to pay for taxis, buy newspapers or pay car park charges.

In terms of convenience, this credit card-sized chip card is comparable with Switzerland's "Generalabonnement" (GA) travel card, as it can be used flexibly on various means of transport and without having to buy a ticket. However, these popular prepaid cards, where the fare for each journey is charged individually, do not tempt users into overconsumption – unlike the GA card, which is based on a flat rate. Apps – special software programmes for smartphones – make it possible for travellers to compare different transport options in terms of journey times and cost at any time and give them the flexibility to adapt their choice of route and means of trans-port. There is in fact a GA-style option available in Singapore too, but the price of this is relatively high.

> The chip card is as convenient as the Swiss GA card, yet does not tempt users into overconsumption since each journey is charged individually.

Population pressure as a catalyst for innovation

With these and other innovations, Singapore has proved itself time and again to be a pioneer in traffic management over the past 40 years. However, the high rate of population growth is posing new challenges for the Singaporean government. With the authorities encouraging an influx of skilled and unskilled workers from abroad, the population has grown by 27% to 5.3 million people within the past decade. It is impossible to ignore the complaints about overcrowded buses and trains and the increase in traffic jams, even though one cannot help thinking that these are very demanding complaints.

Singapore's growing prosperity has led to a rise in the number of car owners: in 2004 only 38% of households had their own car. In the meantime, that figure has gone up to 45%. Nevertheless, this small republic occupying just 716 square kilometres is keen not to build any more roads, which already take up 12% of its surface area. Its preferred approach is to optimise the way private transport is controlled while, at the same time, increasing public transport capacities. The underground network, for example, is set to double in size by 2020. »

Although the city planners have undoubtedly managed to spare Singapore from traffic gridlock, the current system is not without its weaknesses. Anyone who has decided to buy a car will also want to use it, especially since cars in Singapore have to be replaced after ten years of use – which means having to pay the high cost of a new certificate (this is intended as an incentive to keep vehicles up to date). Those who have paid around 100,000 Singapore dollars or more for a car will not be deterred by having to fork out a couple of dollars for the ERP tolls to enter the city. The city planners have also realised that there is little incentive to avoid travelling by car within the congestion charge zones: tolls only have to be paid to enter these areas, not to travel around within them.

Although the city planners have undoubtedly managed to spare Singapore from traffic gridlock, the current system is not without its weaknesses.

In light of this, the city state – which is tightly run by a government of competent technocrats and arguably epitomises the pursuit of greater efficiency more than any other country – is planning to introduce a satellite-supported GPS (Global Positioning System) by 2018. This would make it possible to migrate to a flexible charging system based on the type of road and kilometres travelled. An innovative solution like this, which would enable greater differentiation between tolls according to time and distance, would surely once again reinforce Singapore's status as a global pioneer in mobility pricing.

Published in the discussion paper "Mobility Pricing: Wege zur Kostenwahrheit im Verkehr", Avenir Suisse, September 2013.

Figures

100,000 Swiss francs for a VW Golf

For many of the relatively few car owners in Singapore (117 private cars per 1,000 inhabitants, compared to 526 per 1,000 in Switzerland), motoring is limited to a Sunday drive through the outskirts of the city. This means that Singaporeans behave exactly as they should when it comes to transport: under the control of their own wallet. Even the purchase of a small car is prohibitively expensive. A new VW Golf, which would cost 30,000 francs in Switzerland, comes to 100,000 francs in Singapore. There are taxes and registration fees to be paid for the car, which may of course only be driven if you have the necessary licence ("COE", see text on the left) that could easily cost 60,000 francs. It is therefore hardly surprising that many Singaporeans would rather take public transport or a taxi to get from A to B: a one-kilometre taxi journey costs just 47 centimes in Singapore, compared to 4.40 francs in Zurich. *SH*

Source for price comparisons: www.numbeo.com

664 extra hours of work

Singaporeans are hard workers: in 2012, they worked an average of 2,287 hours per year, around 664 hours more than the average Swiss employee. With a 42-hour working week, that equates to almost 16 extra weeks of work per year.

In no other industrialised country do people work longer than in Singapore, where working hours have only reduced by 7.4 % since 1960 – in Switzerland they have dropped by 20 %. The inhabitants of this small city state thus generate a higher overall level of work performance in return for their hourly wage, which remains relatively low compared to other industrialised nations. With increasing prosperity and rising productivity, shorter working weeks and a corresponding rise in hourly wages may be expected in Singapore, too, in future. *SH*

Source: Penn World Table, at www.ggdc.net/pwt

A different way of dealing with the pressure to adapt

The Swiss and Singaporean financial centres are key pillars of their respective national economies. However, given their many similarities in terms of structural characteristics, do these two countries also pursue the same policy in this regard on the international stage?

Rudolf Walser

Switzerland and Singapore are important financial centres. Singapore, for example, is ranked fourth in the Global Financial Centres Index – behind London, New York and Hong Kong – while Zurich and Geneva lie in fifth and ninth place respectively. Consequently, the financial sector plays an important role in adding value to the national economy in these two countries. In Singapore, it made up 11.4% of GDP in 2013, while in Switzerland it accounted for 10.5%. Only Luxembourg could boast a higher proportion (24.8%) in a worldwide comparison. It is therefore no surprise that Singapore is often described as the Switzerland of Asia.

The financial sector from a global perspective

In the course of the global financial and debt crisis, financial and tax issues have come under closer and closer scrutiny from politicians, administrative authorities and the public. International bodies, specialist institutions and organisations are playing an increasingly significant role in this. Yet where do Singapore and Switzerland stand in this regard? Do they pursue the same policy, given their structural similarities in terms of the financial sector, or do they adopt different standpoints with regard to financial market regulation?

Neither country belongs to the leading standard-setters or definitive rule-setters in the international regulatory process. They largely have to adapt to international guidelines and, in doing so, make shrewd use of the scope they are left with. The extent to which they can actually exert any influence through their involvement in the relevant bodies and by making their views heard is hard to judge from the outside. Nevertheless, Singapore seems to cope more easily with being excluded from the G20 than Switzerland's official authorities, which have publicly declared their displeasure on several occasions.

For Switzerland, adopting international standards and ensuring equivalence in terms of regulations and supervisory bodies has now virtually become a profession of faith, but Singapore appears to show more restraint in this regard. There is no "Singapore finish" – along the lines of the "Swiss finish" – in the regulation of financial markets, nor are there any explicit references to the need to create a level playing field in Singapore's scant official statements. For Switzerland's official bodies, however, the application of international standards is an explicit objective intended to bolster the country's financial stability, guarantee legal security, keep the markets functioning and enable good governance. Switzerland no longer seems to have any belief in the possibility that some of these goals could also be implemented at national level by establishing a consistently liberal legal framework, pursuing a prudent regulatory policy and maintaining an impeccable reputation.

> Neither country belongs to the leading standard-setters or definitve rule-setters in the international regulatory process.

As well as having a politico-cultural basis, these differences undoubtedly have something to do with the fact that Singapore operates in a different geographical environment. While Switzerland is linked to the EU in a close economic and legal network, there is no such tight-knit integrative group in the Asian region with which »

Singapore has to align itself. In terms of concept, the ASEAN (Association of Southeast Asian Nations), of which Singapore is a founding member, is not comparable with the EU.

Involvement in regulatory bodies

It is interesting to note that Singapore is somewhat less involved in the bodies responsible for setting the rules and standards for the international financial architecture than Switzerland. For instance, it does not belong to the OECD and is therefore less exposed to its pressure to harmonise. This applies, for example, to company taxation, where the OECD has hit upon a particularly sensitive new area with its BEPS ("Base Erosion and Profit Shifting") initiative on avoiding tax base erosion and shifts in profits. Nevertheless, the city state cannot entirely escape from international pressure.

While many foreign banks have given up their private banking activities in Switzerland in recent times, the number of banks in Singapore continues to rise.

For example, Singapore, like Switzerland, is subject to the tightened anti-money laundering recommendations put forward by the "Financial Action Task Force" and the requirements of the Global Forum on Transparency and Exchange of Information for Tax Purposes, both of which are affiliated with the OECD. This may be partly due to the fact that, in 2009, Singapore – along with Switzerland – was included in a list of countries which had not fully implemented the OECD's Global Standard on the Exchange of Information for Tax Purposes. Serious tax-related crimes are now classed as predicate offences to money laundering in Singapore as of 2013. At the same time, the city state has promptly set about concluding bilateral tax agreements. In May 2014, Singapore also agreed to adopt the OECD Standard for Automatic Exchange of Financial Account Information, as has Switzerland. However, both countries are taking a more cautious approach with regard to the regulation of "shadow banks", where there is still a great deal of uncertainty (regarding the definition of the term and scope of business, for example). The same applies to the introduction of a tax on financial transactions, with 10 "willing" EU states known to be keen to lead the way on this in 2016.

Unlike Switzerland, Singapore does not belong to the UN's Committee of Experts on International Cooperation in Tax Matters, a subsidiary body of the plan-loving and regulation-friendly Economic and Social Council (ECOSOC). This committee deals with tax issues between developed states and developing countries and is emphatically critical of the financial sector and multinational companies. Moreover, Singapore is barely affected by EU financial market regulations and the Council of Europe's conventions on corruption. Switzerland's cascade of regulations, with the Financial Services Act and the Financial Market Infrastructure Act, as well as numerous relevant ordinances, would be virtually inexplicable were it not for the extensive revision of the EU's financial market regulations (e.g. MiFID II or OTC). In light of this, it is also no surprise that the development trends described have different effects on the two financial centres. While many foreign banks have given up their private banking activities in Switzerland in recent times, the number of banks in Singapore continues to rise.

Swift implementation of Basel III

Both Singapore and Switzerland belong to the International Monetary Fund (IMF) and the Bank for International Settlements (BIS). While Singapore has been a member of the IMF since 1966, Switzerland only joined in 1992. Switzerland's financial involvement is considerably higher, however – especially since the introduction of the significantly expanded New Arrangements to Borrow (NAB) in 1998, which are designed to serve as a financial safety net for stabilising the global financial and monetary system. While Switzerland participates in the NAB with around 11 billion special drawing rights (SDR), Singapore's participation amounts to a mere SDR 1.3

billion. This may be due to the fact that Singapore has always resisted the internationalisation of the Singapore dollar. The sceptical attitude of many Asian states towards the US and EU dominated IMF may also be a contributing factor.

With regard to the BIS, Switzerland and Singapore are amongst those countries which have been particularly quick off the mark in implementing Basel III. The responsible regulatory committee, the Basel Committee on Banking Supervision, was set up by the G10 central banks and banking supervisory authorities in 1974. Switzerland has been part of this group of leading industrial nations since 1983, with Singapore not joining until later on.

Room for manoeuvres

When it comes to implementing international standards and rules, Singapore appears to exercise greater restraint and take a more cautious approach than Switzerland. The Swiss seem to be driven more by the belief that goodwill can be created and friends gained through the precise and early implementation of international standards ("early movers" or "early adapters"), even if this means sacrificing a general overview for dealing with the strategic, regulatory and legal problems that accumulate.

It goes without saying that the pressure to harmonise and systemise financial market regulations is not completely avoidable for countries like Switzerland and Singapore, which have important financial centres. All the same, they are always allowed a certain amount of freedom. There are three reasons for this. Firstly, not only are many international standards described in very vague terms, but they can also be subject to constantly changing interpretations. Secondly, large countries (e.g. USA) and groups (e.g. EU) in particular take the liberty of either disregarding international regulations (e.g. Basel II and III), or implementing them in their own way. And finally, the G20 countries often fail to stick to their own recommendations (e.g. the creation of a uniform accounting standard). In light of this, it was a welcome move by Switzerland in 2013 to make contact with Singapore and Hong Kong with a view to engaging in an in-depth dialogue on financial market issues.

Published online on 17 June 2014.

"The Big Five": financial centres in comparison

Singapore ranks fourth on the "Global Financial Centres" index, right behind London, New York and Hong Kong, while Zurich and Geneva are ranked fifth and ninth, respectively.

	New York	*London*	*Hong Kong*	*Singapore*	*Zurich*
Number of banks	6733	350	262	124	297
Number of bank employees, full-time equivalent	1 919 000	450 000	98 000	100 000	105 000
Assets managed	14.7 tn. USD	13.1 tn. USD*	0.7 tn. USD*	1.3 tn. USD*	3.2 tn. USD*
Capitalisation of local stock markets	18.7 tn. USD	3 tn. USD*	1.1 tn. USD*	0.4 tn. USD*	1.1 tn. USD*
Change in stock market capitalisation between 2007 and 2014	59 %	63 %	–17 %	130 %	25 %

** converted into USD in accordance with the exchange rate as at 22 April 2014*

Source: Why does money come to Switzerland? Neue Zürcher Zeitung supplement to the Swiss International Finance Forum, dated 19 May 2014, p. 15.

From private banking to asset management

Singapore is one of the most important asset management centres in the world today – partly as a result of the Asian crisis in the late 1990s, which prompted a reorientation of Singapore's financial centre. Focusing on asset management could offer advantages for Switzerland too.

Xavier Comtesse

On 2 July 1997, the devaluation of the Thai baht triggered the Asian crisis. In the wake of this, all South East Asian states (not only Thailand, Malaysia, Indonesia and the Philippines, but Hong Kong, Singapore, South Korea and Taiwan too) went through a period of serious financial, economic, social and political instability. The Asian crisis was unusual in many respects: the events in South East Asia, which at the time was the most economically dynamic region in the world, caught quite a few hedge fund managers and more or less all economists off guard. It forced the IMF into launching a concerted rescue operation, which was the first of its kind and provoked a great deal of criticism. Not long after it first broke out, the crisis started to spread, posing a threat to the entire global economy. The Asian crisis stood in stark contrast to the Asian economic miracle and the high expectations placed on the Asian "tiger states". After 30 years of uninterrupted growth, the standard of living in some South East Asian countries was almost on a par with western societies. These countries boasted a healthy savings rate, a high level of investment and booming exports – but not enough domestic consumption.

Opinions vary as to what caused the Asian crisis. Some see the high influx of short-term funds, which fuelled the overvaluation of currencies and led to a high current account deficit, as the main culprit. Others claim that overinvestment in the real estate market due to overly lax lending and high foreign debt was responsible for the crisis, which started out as a currency crisis.

Findings from the Asian crisis

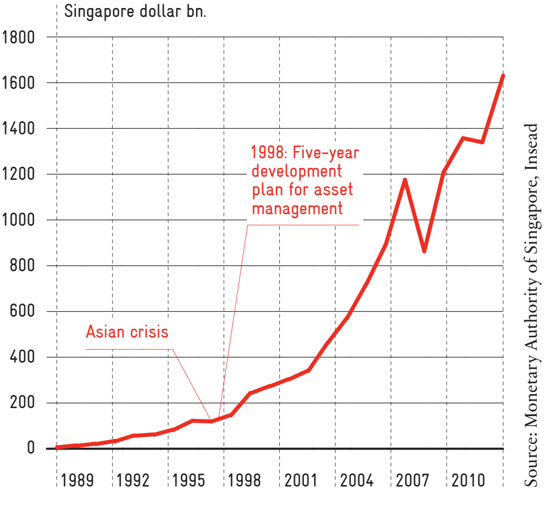
In any case, it became apparent that there was a pressing need for greater separation between the state and the financial sector. In addition, the governments realised that they had to bring their economic policy more into line with the development of domestic demand by investing in infrastructure, education and innovation. However, they also needed to clean up and consolidate their financial centres. That was the approach Singapore consistently pursued – and it is also relevant to Switzerland today, with the Swiss financial centre currently weathering a regulatory storm and having to reformulate its business model.

Opportunities arising from the crisis

In the late 1990s, Singapore's financial centre was already the main hub of currency trading in Asia

Asset management's progressive development

With managed assets worth more than 1,600 billion Singapore dollar, Singapore is one of the most important asset management centres in the world.



as well as the centre of commerce for South East Asia. At that time, however, Singapore was not yet a significant player in the institutional asset management industry **(see graph)**.

In February 1998, just six months after the outbreak of the Asian crisis, Lee Hsien Loong – Chairman of the Monetary Authority of Singapore at the time and who would eventually go on to become Prime Minister – announced a new plan for the gradual development of asset management. Nowadays, Singapore is ranked amongst the top asset management centres in the world. The strategy was remarkably simple: attractive (fiscal) framework conditions would attract the interest of the best asset managers across the world, who would come to Singapore and essentially "jump start" the process by managing a large part of the country's vast state wealth locally.

A way out of the regulation crisis

Like Singapore during the Asian crisis, Switzerland, too, needs to find a way out of the current crisis over regulations. So far, discussions surrounding the financial centre have focused mainly on rearguard action. A change of perspective would be welcome here. A stronger emphasis on asset management could prove the right way forward for Switzerland too, as it builds on the expertise of the Swiss financial centre but, until now, it has not been a primary concern for the banking sector, which is geared towards private banking. A focus on asset management could attract the brightest minds in the financial world – the example of Singapore proves that this would be possible.

Published online on 8 November 2013 and in L'Agefi on 29 October 2013.

Private banking vs. asset management

While the "people's business" remains at the heart of private banking (financial plans, individual provision, investment profile), institutional asset management is primarily concerned with optimising the risk-return ratio of the investments made by large institutional investors (pension funds, sovereign wealth funds, insurance providers). These investors are very cost-conscious, so the pressure on margins is even greater in this area than in the private client business. Ageing societies and low interest rates present new challenges for asset management all over the world.

The state as investor

Singapore's sovereign wealth fund GIC (Government of Singapore Investment Corporation) gained a certain amount of recognition among the Swiss public in late 2007 when it invested 11 billion Swiss francs in UBS and became the Swiss bank's largest shareholder. UBS was one of the first banks to suffer substantial losses from writedowns on bad US real estate securities (the sub-prime crisis).

Besides GIC, there are two other state investment entities in Singapore: Temasek and the MAS (Monetary Authority of Singapore, the central bank and financial regulator). The MAS mainly administers Singapore's official currency reserves. The investment company Temasek came into being in 1974 through partial privatisations and the transfer of government-owned participations into a holding company. Temasek carries out strategic investments, mainly in Singaporean and other Asian companies, with the aim of promoting the economic development of Singapore. GIC's objective is to achieve the best possible returns on Singapore's considerable foreign exchange surpluses (its export surplus was 18% of GDP in 2013). By its own admission, GIC manages assets well in excess of 100 billion US dollars, making it one of the largest investors in the world. GIC reinvests foreign currencies in their countries of origin, which has the additional effect of diversifying assets. Also, the revaluation pressure on the currency is reduced.

In Switzerland, too, calls are repeatedly heard for a sovereign wealth fund to be established, as local foreign currency reserves have risen to around 450 billion Swiss francs (June 2014) since the minimum exchange rate of 1.20 francs to the euro was set in September 2011. In fact, the SNB already invests around 12% of foreign currency reserves in foreign shares. In contrast to sovereign wealth funds, which involve strategic investments in selected sectors (companies, commodities, infrastructure) and an active investment policy, the SNB takes an exclusively passive approach to investing in stock markets. While the SNB manages foreign exchange controls itself and thus nowadays enjoys a relatively high level of freedom, the MAS has outsourced a significant proportion of the administration of Singapore's currency reserves to GIC and Temasek. *SH*

What Singapore can learn from Switzerland

On the occasion of the first joint seminar of Avenir Suisse and the Institute of Policy Studies in Singapore in October 2013, S. Iswaran, Second Minister for Trade and Industry, highlighted three Swiss success factors that are of increasing importance for Singapore.

Based on the speech of S. Iswaran (4 October 2013, Singapore)

Switzerland has always been viewed with a special regard in Singapore. That perspective stems from the similarities of both countries. They rank amongst the most competitive economies in the world, with a relatively small domestic workforce and market. In many ways, Switzerland represents what might lie on the frontier of possibilities for Singapore. Yet, there are also significant differences. Singapore is a young city-state in the heart of Asia, a fast-growing developing region, with some of the largest emerging economies such as China, India and Indonesia. Regional economic integration and strong institutions, as can be found in the EU, are only just starting to develop in Asia – for example, the ASEAN Economic Community (AEC), to be formalised in 2015.

Singapore could learn something from Switzerland in developing a strong national brand.

Singapore is currently embarking on a journey of transformation in its economic development. Like all modern industrial nations before it, the next leg of its journey will likely be marked by the smaller growth rates of a mature economy, and require a greater emphasis on productivity and innovation. It will focus on the quality of growth and newly created jobs, instead of their quantity. To this end, Switzerland serves as a role model to Singapore in three important areas.

Developing a strong national brand

Several aspects of Switzerland's economic structure resonate with Singaporeans: A relatively large services sector focusing on financial services and commodity trading, coupled with a smaller manufacturing sector, focusing on pharmaceuticals, chemicals, and micromechanics. The key learning point for Singapore is the development of the strong Swiss brand. Today, "Swiss Made" – a wide range of products and services from chocolates and watches to pharmaceutical products and financial services – is synonymous with quality, trust, innovation and know-how.

The Swiss brand is founded on specialised capabilities and a commitment to quality and innovation that Swiss companies have painstakingly built up over decades and centuries. The attribute "Swiss Made" has allowed Swiss companies, from multinational companies to family-run SMEs, to stand apart from their competitors and to capture and expand global market shares. All around the globe, customers are willing to pay a premium for "Swissness".

This strategy of developing deep capabilities in some core sectors is not immune to risks. In fact, this is illustrated by the crisis of the Swiss watch industry in the 1970s and 1980s. It is precisely because there were deep capabilities that the industry was able to establish its products in a new and growing global market for luxury watches. Thanks to a knowledge transfer from the watch industry, other branches, such as medical technology and micromechanics, were also able to benefit from these developments.

The establishment of a national brand and the specialisation on specific industrial branches is also increasingly important for Singapore. It could, for example, focus on financial services, as well as the aviation and marine sector, water technology and environmental protection.

Competitive research and development system

In the 2013 edition of INSEAD's Global Innovation Index, Switzerland topped the index, seven places ahead of Singapore. Extensive interactions between government, cantons and universities, as well as the public and private sector play a part in the success of Switzerland's R&D system. With the Federal Institutes of Technology in Zurich (ETHZ) and Lausanne (EPFL), Switzerland has two technological research institutions which fare well in international university rankings.

Also, strong inter-cantonal competition strengthens the Swiss R&D system. It helps to bridge the gap between research institutions and the private sector through knowledge transfer and innovation platforms. Across Switzerland, the universities of applied sciences also play an important role in the practical training of skilled workers and often work closely with SMEs.

Finally, the private sector, especially multinational companies (MNCs), plays a key role in the Swiss R&D system. Private sector R&D spending accounts for almost two thirds of Switzerland's gross domestic R&D spending, or about 2.2 % of its GDP. Close to 80 % comes from MNCs, mainly the pharmaceutical and health industry. They have nurtured a strong corporate R&D culture in long-standing collaboration with the government and universities.

A skilled and talented workforce

Switzerland's educational system brings forth a skilled workforce. This is mainly the result of a well-established dual-track education system and a high degree of porosity between universities, universities of applied sciences, and vocational training. Switzerland has a skilled, practically trained workforce – a decisive advantage in the global competition for talents in a knowledge-based society.

The other noteworthy element of Switzerland's education system is the continuing education and training landscape (CET). The Swiss workforce can continually improve and update their knowledge. The programmes take place in close collaboration with the private sector. The majority of people living in Switzerland take part in some form of CET. This is another one of Switzerland's success factors in a world marked by rapid technological changes.

There is also the open labour market: As is the case in Singapore, the local workforce alone cannot support Switzerland's economic needs. The missing hands and minds are recruited abroad. Skilled foreigners supplement the limited local potential.

Switzerland has a skilled, practically trained workforce – a decisive advantage in the global competition for talents.

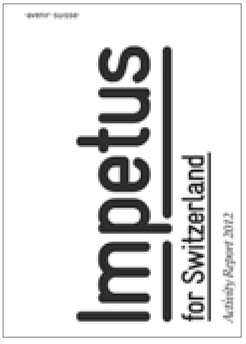
Singapore, too, focuses on an education system beyond sole academic excellence, with close ties to the economy. Similar to Switzerland, its objective is to offer individuals various, particularly permeable educational pathways. To this end, Singapore is also seeking partnerships with the private sector to create educational opportunities, for example in the form of internships. *SH*

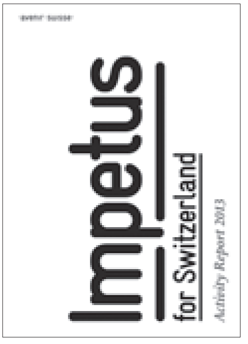
The complete speech is available at www.avenir-suisse.ch/rede-iswaran

Sharing experiences in Singapore

In October 2013, Avenir Suisse and the Institute of Policy Studies (IPS) organised an inaugural seminar in Singapore under the slogan "Learning from each other". The aim of this event was for the participants to expand their knowledge of each other's countries and to explore opportunities for cooperation between the two think tanks. The seminar attracted a great deal of interest, with over 100 participants from the worlds of business, politics, academia and diplomacy plus a well-balanced mixture of guests with Singaporean and Swiss backgrounds. The main focus was on the question of what Singapore could learn from Switzerland.

Publications





The think tank Avenir Suisse develops ideas for the future of Switzerland as a location. Founded in 2001, it is supported by more than 100 companies and private individuals from all regions of Switzerland. When selecting its projects, it is independent, but not neutral: its stance consistently represents a market economy perspective and liberal views. It is therefore obliged to take a clear position.

The think tank's aims are to demonstrate a need for political action, and help solve problems by means of initiatives and proposals. To this end, it performs analysis based on scientific principles, organises conferences and participates in public debates. The think tank does not allow itself to be governed by individual interests.

Avenir Suisse attaches particular importance to the preparation of readily comprehensible study data and to distributing this data via printed and electronic media.

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