

BOOK REVIEW

State Enterprise in Singapore: Legal Importation and Development. By Philip N. Pillai. Singapore: Singapore University Press, 1983, Pp. 220.

This book examines the structures of state enterprises in Singapore and argues that the eventual performance of such enterprises is closely related to the legal and political cultures of Singapore and the administrative infrastructure which fosters these enterprises. The book is based on the doctoral dissertation of the author, a member of the Law Faculty at the National University of Singapore. Three case studies are utilized to clarify the issues and support the arguments. These are: a) the Economic Development Board, a statutory corporation; b) the Development Bank of Singapore, a mixed enterprise company; and c) the Singapore Bus Service Ltd, a company reflecting the private-sector/public management mix.

The book has five chapters. Chapter I, entitled "State Enterprise and Legal Importation and Development" establishes the theoretical base for the subsequent chapters. Here, the author suggests that rationales for particular institutional structures can be understood in the context of particular "legal infrastructures" of individual societies, and elements of such infrastructure include "the political system and people's expectations, ideology, the relationship of the bureaucracy to the political leadership, its socialization, internal and external pressure points, and corrective procedures" (p. 9). Chapter II, "The Process of Legal Importation", touches on two elements. The first suggests that the adoption of the state-enterprise form is a reflection of the country's social and economic objectives since independence and the fact that a "half socialist, half capitalist" approach would result in the distribution of "benefits of industrial activity in Singapore in a much fairer way" (p. 32). The second has worked to ensure that state enterprise does not spread to sectors where it would not serve any national objective or where it could not be properly managed. Chapter III, "Comparative Theory, Context and Experience of State Enterprise Law in Britain and Singapore" is a discussion of the process of adoption and adaptation of the British experience to the Singapore situation appropriate to the local needs and priorities. While some state enterprises such as in public utilities, telecommunications and port operations are simply continuations from the colonial days, other enterprises were created in order to perform specific socio-economic objectives such as public housing, mobilization of savings, and investment promotion. The principal trend has been to maintain "purely governmental and regulatory functions within the department forms and to divest all other state enterprise to public corporations and companies" (p. 73). The chapter goes on to explore the issues affecting the structure and control of state enterprise and suggests that considerable power rests with the appropriate minister as opposed to the Parliament. Indeed, the author suggests that "Parliament's control over state-owned companies is weakest" (p. 18). In addition, "judicial control over public corporations is weakest when

compared to ministerial and legislative control” (p. 111). One particular aspect of Chapter III is a comparative evaluation of the nature of control affecting the activities of public corporations (100% government owned) and commercial corporations (those with significant government investment).

In Chapter IV the three case studies are presented. The structure of a public corporation such as the Economic Development Board has been influenced by the British model while the control systems that have been set up are more reflective of the administrative capability residing within the civil service. The structural options are wider in the case of a commercial corporation as they are drawn from the “private law form of the public company” with modifications sufficient to “entrench government ownership and control.” Governmental control is indirect through its civil service nominees on the board. The case of the Singapore Bus Service reflects an unusual model of state enterprise. Here, state ownership is absent but there has been appropriate enactments by legal means to achieve wider social goals. Although private shareholders continue to reap the rewards of their investment in the enterprise, they have been “deprived of an ordinary facet of corporate ownership of free voting of the board of directors” (p. 191).

The final chapter lists the major conclusions. The key words are “wider political and legal system”. Thus, even though state enterprises in Singapore initially started from their “British baseline”, they have been substantially modified with respect to their structures and control mechanisms in order to reflect the realities of the wider political and legal system. As a result, unlike in Britain where state enterprises are constantly under parliamentary scrutiny, the Singapore Parliament is noted for its low profile and this itself is uniquely Singaporean. The other significant feature of the state enterprise legal system in Singapore is the almost total eclipse in the invocation of judicial powers to aid or challenge state enterprise activity” (p. 210).

The book, although written from the perspectives of law-making and legal systems, deals with a number of other issues associated with the subject of state enterprise. Although the processes may vary, state enterprises in most non-socialist countries are justified on both economic and social grounds. In that sense, Singapore’s deference to a “wider political and legal system” as opposed to established legal precedents is really not that unique. What is unique about Singapore is the built-in confidence in its civil servants to remain “non-politicized” and as much, maintain high standards of performance whose monitoring would, in other countries, be left to their parliamentarians. While in other countries this might be termed as absence of public scrutiny, the Singaporean model assumes that any failing on the part of one group of state enterprise managers can be better dealt with by another group of civil servants (residing within the Attorney-General’s Department, Auditor-General’s Department, for example) than by a committee of law-makers who would be unlikely to possess either specialized skills or necessary resources to assume that role. Of course, one may argue this point, particularly if one takes the perspective of a mature democracy in a more economically developed society. But the author’s point is that Singapore has neither of those characteristics, and therefore, had to assign a lesser role to parliamentarians in effecting satisfactory performances by state enterprises. The author is also right in identifying the uniqueness of “state enterprise without ownership” (the Singapore Bus Service case) as a Singaporean solution to a Singaporean problem. It is doubtful if the model of “equity participation without managerial control” would survive legal test or find private enterprise acceptability in other countries.

Any discussion of state enterprises cannot be complete without an assessment of the impact on the private sector. The book deals with it only incidentally (pp. 106-7). It is

evident that the government has sought to quieten the worries of the private sector about the growth of state enterprises in two ways: firstly, by co-opting private-sector representatives (including those of the foreign-owned companies) into the boards of state enterprises (as in the case of the Development Bank of Singapore), and secondly, by judiciously resisting the temptation to nationalize (as in the case of the Singapore Bus Service) where the nationalization decision could have adverse fall-outs. The author may have been too quick to predict that the case for privatization was “unlikely to find expression in Singapore in the near future”. The Budget statement of March 1985 suggests at least a modest move towards privatization. But that perhaps is also a reflection of the performance of state enterprises in the Singaporean model. The wider socio-economic goals behind the establishment of a number of state enterprises have been realized, making it no longer necessary to maintain state ownership or effective control of such enterprises. If this is indeed a reflection of the performance of the Singaporean model, then other nations should find it quite useful to consider emulating or adopting. Perhaps other variations of the Singapore model could develop, after appropriate adaptations for local circumstances.

The book is well written and presents a good basis for further studies on a number of contemporary issues affecting state enterprises. This reviewer recommends it highly to all who have an interest in the subject.

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