Committee IV
Developmental Experiences in
East Asia and Latin America
102

Draft-for Conference
Distribution Only

ECONOMIC DEVELOPMENT IN HONG KONG AND SINGAPORE

by

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The Twelfth International Conference on the Unity of the Sciences
Chicago, Illinois November 24-27, 1983

INTRODUCTION

In the post-World War II years, the economies of the USA, USSR, the Peoples Republic of China, India, and Japan have been in the world's limelight; the economies of each of the first four nations because of their land areas and populations and Japan in spite of it.[1] It has all too often been accepted that Japan is an exception to the rule that economic growth requires large supplies of domestically available raw materials and a large population to use them. While economic progress in South Korea, and other medium size nations has, in recent years, invalidated that thesis, the best evidence that it isn't so lies in the economic performance of Hong Kong and Singapore. These two entities can best be described as economic micro-chips, extremely small but increasingly more powerful and impressive in performance. Their combined population is about one-third that of the state of California and in terms of land area they are individually smaller than a number of counties in the USA, much less the states. Rhode Island's land area of 1,214 square miles and population of 947,000 (1980) is perhaps the closest we come to an approximation of these two political entities among our 50 states. The function of this paper is to sketch the rapid economic development of Hong Kong and Singapore in the post-World War II period and to contrast the different solutions to the problem of economic development adopted by their governments.

HONG KONG AND SINGAPORE: THE SIMILARITIES

There are numerous similarities between the two mini-states. Both are noted for their harbors and shipping. Because they lie in major shipping lanes, until recently, when manufacturing became dominant, commerce was their economic mainstay. Both are among the largest and busiest ports in the world. Thousands of oceangoing ships, coastal steamers, junks, and mechanized vessels of all sorts populate their harbors. Both were colonized by Great Britain in the Nineteenth Century. Leased from Holland in 1819 because of location in the strategically important Straits of Malacca and its excellent harbor, Singapore was purchased outright by Great Britain in 1824. Great Britain's acquisition of Hong Kong, however, required three phases. In 1842, under the Treaty of Nanking which settled the Opium War of 1840-42, China gave Hong Kong Island to Great Britain. In 1860, after another war, China ceded the tip of the Kowloon Peninsula. In 1898, Britain leased the New Territories from China for 99 years. These today comprise the British Crown Colony of Hong Kong. However, with respect to economic policies, it is independent of Great Britain and is treated as such. In the Nineteenth and Twentieth Centuries, the British invested heavily in port facilities in both colonies and created the two leading entrepots in Southeast Asia. Free trade, an honest, efficient colonial administration, and personal and business security attracted many thousands of merchants and financial houses from elsewhere in Asia where bureaucracy and corruption were endemic. Mainly Chinese, these immigrants brought skills in trade, accounting, finance, and management which contributed to the tremendous economic vitality of both countries; an economic vitality which overcame the incredible lack of natural resources in each country.[2] Table 1 below reflects the lack of natural resources and the extent to which it was overcome by the 1980s.

TABLE 1

Comparative Data for Hong Kong and Singapore

Measure	Hong Kong	Singapore
Land Area (sq. mi.)	415	241
Major Natural Resources	None	None
Minor Natural Resources	Fish, Clay	Rubber, Coconuts
Population (in millions)	5.2 (1982)	2.4 (1980)
Population Rate of Growth	1.2% (1980)	1.2% (1980)
GDP (US$-billions)	28.3 (1982)	12.5 (1981-est)
GDP Per Capita (US$)	$5411 (1982)	$5119 (1980)
Birth Rate/1000	16.9 (1981)	17.1 (1980)
Death Rate/1000	4.8 (1981)	5.2 (1980)
Infant Mortality (p/100 live births)	9.8 (1981)	12 (1981)
Life Expectancy - Males	72 (1982)	67 (1980)
Females	78 (1982)	71 (1980)

Sources: GDP per capita from Gederal Reserve Bank of San Francisco, Pacific Basin Economic Indicators, December 1982, p.2; other data from Census and Statitistic Department, Hong Kong, various publications, and from Ministry of Trade and Industry, Republic of Singapore, various publications; 1981 estimate of Singapore GDP calculated from Singapore Facts and Pictures, 1982, Information Division, Ministry of Culture, Singapore Government, pp. 50-51.

Aside from the two sets of data expressed in absolute terms, i.e. area and population size, and aside from the presence of different minor natural resources, the basic data are substantially similar. In relative terms, they are virtually twin economies. However, Hong Kong and Singapore have radically different attitudes about the role of government in economic development plans. While both are essentially free market economies in which the private sector is predominant, Hong Kong has a laissez-faire, supply-side approach to the private sector, while in Singapore there is a great deal of government regulation of business and the heavier taxation needed to fund that regulation. Let us consider their individual recent national economic experiences in some detail and then take up the issue of the laissez-faire approach vs. government regulation.

III ECONOMIC DEVELOPMENT IN HONG KONG

World War II buffeted Hong Kong severely. During the war, when Japan occupied it, Hong Kong lost over one million of its residents -- over 60 percent of the total population -- through emigration. At war's end they returned; and, in addition, large numbers of refugees from the Civil War in China, 1946-1949, sought permanent refuge there as well. Many of the immigrants were educated and skilled and brought with them entire factories, including machinery and equipment, from Shanghai, Canton, and other industrial cities. Their entrepreneurship and energy over the next one-third of a century helped transform Hong Kong from a small entrepot into a manufacturing and trading nation of considerable importance. That rapid transformation is indicated by the growth of its Gross Domestic Product as indicated in Tables 2 and 3 immediately below.

TABLE 2

Growth in the GDP of Hong Kong, 1961-1975
(Average Annual Rate of Growth)

	GDP		Per Capita GDP	
	At Current Market Prices (%)	At Constant Market Prices (%)	At Current Market Prices (%)	At Constant Market Prices (%)
1961-65	14.8	12.1	11.2	8.5
1965-70	12.2	7.8	10.0	5.8
1970-75	14.5	5.8	12.3	3.7
1961-67	12.7	10.5	9.7	7.6
1967-73	16.2	8.0	14.1	6.0

Source: Hong Kong Government Publications, <u>Two Decades of Economic Achievement</u>, February, 1977, Table 4.

TABLE 3

Growth in the GDP of Hong Kong, 1976-1987
(% Increase Over Previous Year)

Year	GDP in Current Market Prices	Per Capita GDP at Current Market Prices	GDP in Constant 1973 Market Prices	Per Capita GDP,Constant 1973 Prices
1976	28.1	26.7	18.8	17.5
1977	14.7	13.0	10.2	8.6
1978	16.7	14.5	10.3	8.2
1979	28.6	21.2	12.8	6.2
1980	26.3	22.3	11.7	8.1
1981	21.6	18.9	10.9	8.4
1982	14.5	12.8	2.4	0.8

Sources: Data for 1976-1981 from Hong Kong Department of Industry, Table A of unidentified study; data for 1982 from Hong Kong Census and Statistics Department, <u>Hong Kong in Figures</u>, 1983 edition.

As Table 2 points out, in constant market prices, in each five year segment between 1961 and 1975, the average annual rate of growth of GDP ranged between 5.8 percent and 12.1 percent. If the period used is 1961-1973 and two seven year segments are established, the average annual rate of growth ranged from 8.0 percent to 10.5 percent. These are extremely impressive figures. They are reflected in per capita GDP data at constant market prices in increase which range between 3.7 percent for 1970-1975 (which includes the devastating world "oil price shock" of 1973-1974) and 8.5 percent for the period 1961-1965. Even allowing for the relatively low base against which the increases were measured, the increases in GDP and GDP per capita for 1961-1965 are particularly impressive.

As Table 3 indicates, Hong Kong's progress has continued until the present. For the years 1976-1982, the increases in GDP in constant market prices ranged between 2.4 percent for the world depression-ridden year of 1982 to 18.8 percent for 1976. However, except for 1982, all of the average annual increases were 10.2 percent or greater in constant market prices. For per capita GDP, the increases ranged from 0.8 percent for 1982 to 17.5 percent for 1976, with values generally in the 6.2 percent to 8.6 percent range. It is difficult to escape the conclusion that the economic progress of Hong Kong was unusually rapid overall for 1961 through 1982.

The increases in GDP and per capita GDP came from several sources of which the two most important are manufacturing and trade, areas of economic activity closely linked to each other in Hong Kong. In the immediate post-World War II period, Hong Kong was still dependent on the entrepot trade. Between 1947 and 1951, the total value of the trade grew at an annual average rate of 35 percent.[4] However, in 1951, the United Nations placed an embargo on trade with the Peoples Republic of China, Hong Kong's most important market for re-exports. The embargo caused Hong Kong's entrepot trade to drop sharply. Within one year, the China trade had decreased by two-thirds and by 1961, was down to six percent of its 1951 level.[5]

In response to the need for its population, then about three million people, to earn a livelihood, Hong Kong developed a manufacturing capability based on the skills and capital of its population and a growing world demand for manufactured goods. In the 1950s, world trade was growing at an annual average rate of about six percent per annum. By 1962, Hong Kong had a growing flourishing manufacturing sector and the level of its exports had recovered to the 1951 pre-embargo level.

The textile and clothing industries was and is the core of Hong Kong's new industrial growth. In 1951, clothing exports constituted only five percent of exports. By 1962, they had grown at an annual average rate of 17 percent and then constituted 26 percent of total exports and 35 percent to 40 percent of total domestic exports. By 1981, of about 905,000 workers in Hong Kong employed in some 47,000 factories, the textiles and clothing industry accounted for about 40 percent of the total industrial labor force and was accounting for about 42 percent of the value of Hong Kong's total domestic exports.[6] That of course was neither surprising nor unusual, for the textiles and clothing industry has always been in the forefront of the industrial revolution.

In Great Britain in the late Eighteenth Century, in Germany, France, Russia, the USA and Japan in the Nineteenth Century, and in South Korea and other nations in the Twentieth Century, the textiles and clothing industry provided employment for large numbers of women and children and in addition men who otherwise would have been unemployed or underemployed in rural areas. The new textiles and clothing factories required a relatively simple technology and only small amounts of capital to build and manage. Over time, they generated profits which were used to finance larger, more comlex, more costly industrial enterprises. Reinvestment of profits made possible the employment and further training of still more skilled, industrial, commercial, and professional employees. Over time, the production process became more elaborate, complex and roundabout, and the final product frequently became more complex, more efficient, and lower-priced. The textiles and clothing industry and other light industries in the nations cited above made possible the transformation of primarily agricultural economies into heavy industrial nations. They made "import substitution" and "export promotion" possible on the part of those nations. By that, of course, it is meant that as nations developed their own industries, they imported less of their needs from other nations, and ultimately, over time, began to export in successively larger quantities, those light and heavy goods and the services associated with them that they had formerly imported. By then they had not only become industrialized but urbanized as well. Where there were villages, there developed cities and large towns. Such rural areas as these remained shrunk until they were of relatively minor consequence.

That, of course, was the pattern in Hong Kong. By 1981, Hong Kong was broadly industrialized, very much urbanized, and extremely densely populated. As noted above, the textiles and clothing industry was Hong Kong's largest. The electronics industry was also firmly established with some 89,000 employees in 1,150 factories, creating products for export valued at more than $1.8 billion. They inculded transistor radios, computer memory systems, electronic calculators, transistors, integrated circuits, semi-conductors, prepackaged electronic modules, TV games, electronic burglar alarm systems, smoke detectors, integrated circuit wafer chips, and micro computers.

Another important new industry was watches, clocks and accessories, the domestic exports of which were valued at over $1.3 billion in 1981. A third new industry was plastics which in 1981 accounted for over $750 million in domestic exports. These included injection molding and extrusion machines, dies and molds, toys and dolls. Still other new industries were the light metals products industry, which includes household utensils, locks and keys, cookery, key chains, and metal tops; the machinery and machine tools industry which makes injection molding and extrusion machines, power presses, lathes, shapers, drilling machines, and polishing machines; the ship-building and repair industry; and the aircraft engineering industry which involves the complete overhaul of airplanes and engines of many types of aircraft.[8] These industries underscore the high degree of technical and administrative skill required of management to organize and operate such enterprises; and the high degree of technical skill required of the labor force to do the work.

As Hong Kong's manufacturing sector expanded, so too did its exports, both domestic and re-export. This is reflected in Table 4 below.

TABLE 4

Growth of Hong Kong's Trade, 1950-1982
(Average Annual Rates of Growth)

Period/Year	Imports (%)	Domestic Exports (%)	Re-exports (%)	Total Exports (%)
1950-1955	-0.4	N.A.	N.A.	-7.4
1955-1960	9.5	N.A.	N.A.	9.2
1960-1965	8.9	11.9	7.0	10.7
1965-1970	14.5	19.7	14.0	18.5
1970-1975	13.7	13.1	19.2	14.4
1976	29.3	42.7	28.0	39.3
1977	12.5	7.3	10.1	7.9
1978	29.5	16.3	34.3	20.2
1979	36.1	37.3	51.7	40.9
1980	30.1	21.9	50.2	29.4
1981	23.9	18.0	38.8	24.3
1982	3.3	3.2	6.3	4.3

Source: Data for 1950-1975 inclusive from Two Decades of Economic Achievement, H.K. Government Yearbook, 1977. Table 3 opposite page 6; data for 1976-1982 from Census and Statistics Department, Hong Kong in Figures, various issues 1977-1983. Data for total exports, 1977=1979, calculated by author; others reproduced as is.

As Table 4 indicates, since the years of 1950-1955, when the impact of the US-led embargo on the China trade was most severe, Hong Kong's total exports have increased annually between 1955 and 1982 at rates between 4.3 percent and 39.3 percent. The annual rate of increase of domestic exports 1960-1982 ranged between 3.2 percent and 42.7 percent while the annual rate of increase of re-exports ranged between 6.3 percent and 28.0 percent. From 1955 to 1982, the average annual rate of growth of imports ranged between 3.3 percent for the world-depression year of 1982 to 30.1 percent for the world-inflation year of 1980.

Hong Kong's main imports in 1981 were manufactured goods (29 percent), machinery and transport equipment (23.3 percent), foodstuffs (10.1 percent), mineral fuels, lubricants, and related equipment (7.9 percent), and chemicals (6.5 percent). Over time, undoubtedly Hong Kong will produce more of the manufactured goods and machinery and transport equipment it presently imports and its dependence on imports in these areas will decline. However, its dependence on imported foodstuffs, mineral fuels, and chemicals seems likely to continue into the foreseeable future.

Much of Hong Kong's economic progress since the end of World War II is attributable not only to the skills and capital transported to Hong Kong by refugees but to the human capital created by the Hong Kong Government itself. This was accomplished through major programs in the areas of health, education, and welfare. Unlike Great Britain, Hong Kong does not have a national health service. However, it does have a system of low-cost medical and health services. For example, in 1982, it cost only about $1 per day to stay in a government hospital, with the charge covering treatment, medicine, and specialized examinations. Charges at the out-patient clinic were about $.60 per visit and included X-rays and drugs. There was one doctor per 1160 persons and 4.2 hosptal beds per 1000 of population -- ratios second only to Japan in Southeast Asia.[10] The progress of health care in

Hong Kong between 1971 and 1981 is reflected in Table 5 below:

TABLE 5

Birth and Death Rates in Hong Kong, 1971-1981

Year	Estimated Population (Mid-Year)	Birth Rate (Per 1000 Population)	Death Rate (Per 1000 Population)	Infant Mortality Rate (Per 1000 Live Births)
1971	4,045,300	19.7	5.0	17.7
1972	4,115,700	19.5	5.2	17.4
1973	4,212,600	19.5	5.0	16.4
1974	4,319,600	19.3	5.1	16.8
1975	4,395,800	18.2	4.9	14.9
1976	4,443,800	17.7	5.1	13.8
1977	4,509,800	17.7	5.2	13.5
1978	4,597,000	17.6	5.2	11.8
1979	4,878,600	17.0	5.2	12.3
1980	5,038,500	17.1	5.0	11.2
1981	5,154,100	16.9	4.8	9.8
1982	5,233,000	17.0	5.0	N.A.

Source: Hong Kong: The Facts, Population, Hong Kong Government Services Publication, January 1982, p.1; 1982 data from 1983 edition of Hong Kong in Figures, op. cit.

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As Table 5 indicates, the death rate ranged from a very low 5.2 per 1000 in 1972 to an even lower 4.8 per 1000 in 1981, while the infant mortality rate dropped in that same decade from 17.7 per 1000 live births to a remarkably low 9.8 per 1000 live births in 1981. As maternal and health services improve, the general death rate and infant mortality rate should continue to improve.

Education too has been a major contributing factor in Hong Kong's economic growth. In 1981-1982, about one-fourth of Hong Kong's population was in a primary school, secondary school, or kindergarten, and the government spent 13 percent of its budget on education. Some nine years of free compulsory education are provided up to the age of 15 and nearly three-fifths of the 15 year-olds were receiving subsidized schooling.[11] Only a small percentage of children have to pay for their education, primarily voluntarily, because they attend schools for expatriates or choose to attend private, fee-charging schools.

The emphasis on education in Hong Kong was reflected in 1981 in the 729 kindergartens providing pre-school education for over 200,000 children. Among children aged three to five, over 85 percent attended day schools. Of children aged 12 to 14, some 93 percent were in school while for the 15 to 16 year category the percentage was nearly 71 percent.[12] There were 68 special educational facilities for the blind, deaf, physically handicapped, maladjusted, deprived, slow learners and mentally handicapped. Technical education is currently provided in secondary technical schools, prevocational schools, technical institutes and at Hong Kong Polytechnic, which offers education of a wide variety of types. The technical education is offered in full-time day classes, short courses, part-time day classes, and evening classes. There are three post-secondary colleges plus three colleges of education and a technical teacher's college. Still further, adult education is provided through "the Evening Institute", the "Evening School of Higher Chinese Studies", the evening department of the technical institutes, 16 adult education and recreation centers and in private institutes which offer post-secondary and adult education courses. Last, but by no means least, there are two universities, Hong Kong University and the Chinese University of Hong Kong. Hong Kong University has five faculties and three schools while the Chinese University consists of three colleges and four faculties. Having taught at Hong Kong

University for two years and having had some contact with the Chinese University, this writer can personally attest to the high quality of the educational services offered. The statistical data issued by the Hong Kong government are not mere "academic body counts."

The economic development of Hong Kong has also been furthered by an extensive positive social welfare policy. Hong Kong provides social security, family and child care services, group and community work services for the young and elderly, rehabilitation as well as probation efforts and training for young offenders.[13] These programs have operated to insure that the needy receive sufficient income to survive and have helped create a stable economic and political environment in Hong Kong. They have helped people to overcome all sorts of tragedies and to go on with their lives to become productive members of society within the limits created by their minds and bodies.

A brief summary of them will underscore the extent to which they have contributed to the economic stability of Hong Kong. The public assistance program, introduced in 1971, provides cash grants to bring family income up to the minimum needed to survive. In 1980, a disability supplement was added to aid the partially disabled. In addition, there are special needs allowances for the elderly, the profoundly deaf, and the severely disabled which are paid over and above the minimum needs-based cash grants. Other social security programs provide compensation for people injured or for dependents of those killed in a crime of violence or through the action of a law enforcement officer while carrying out his duties. There is also a cash grant paid to traffic accident victims or their dependents regardless of who was at fault in the accident. Lastly, cash grants, food, and other necessities are given to victims of natural disasters.

Family welfare services constitute a second public welfare program which enables the population of Hong Kong to achieve satisfying standards of health.[14]

The services provided deal with inter-personal relationships; problems arising from the neglect, abuse, and ill-treatment of children, including the area of morality; problems which spring from poor mental and physical health, disabilities and old age; and hardship resulting from unemployment, imprisonment, desertion, illness, and death. A third public welfare service which contributes to the economic welfare of Hong Kong is community and growth services. Some 14 community halls, and 16 community centers are operated to serve the recreational and cultural needs of the people.

The fourth public welfare function is rehabilitation services for the blind, the deaf, the physically handicapped and former mental patients. These groups are helped in rehabilitation, housing, and welfare centers and clubs. The latter provide residential as well as day facilities and workshops so that the disabled may lead a useful working life. A fifth public service function revolves around the treatment and rehabilitation of "offenders" -- i.e. criminals. Hong Kong has five residential training institutions to provide academic, prevocational, social, and recreational training for inmates. In addition, there are probation services.

While the role of government in provision of social services and the creation of human capital has been a large one, in sharp contrast, its role in the market place has been minimal. With respect to taxation and regulation of business, the Hong Kong Government has maintained a very low profile. Indeed, it has been and still is the epitome of laissez-faire and offers a sharp contrast to Singapore in this respect. Before contrasting the two nations in this respect, let us consider Singapore's economic development to date.

IV. ECONOMIC DEVELOPMENT IN SINGAPORE

As was Hong Kong, Singapore was occupied by the Japanese during W.W. II and was returned to Great Britain in 1945. In 1959, it was granted its independence. In 1963, Singapore merged with Malaya, Sarawak and Sabah to form the new nation of Malaysia. The union lasted until 1965; and Singapore has been an independent nation since then. Its economic progress has been remarkable. Table 6 below reflects the rapid growth of its GDP, 1969-1980 by industry.

TABLE 6

Singapore's Gross Domestic Product, 1969-1980
(Annual Growth Rate-%)

Industry	At Current Factor Cost 1969-1979	1978	1979	1980(P)	At 1968 Factor Cost 1969-1979	1978	1979	1980(P)
TOTAL	14.7	10.2	11.2	14.0	9.4	8.6	9.3	10.2
Agriculture & Fishing	8.6	-3.5	7.7	9.3	2.2	-0.8	3.3	2.6
Quarrying	9.2	-22.0	11.5	80.9	9.1	-13.4	14.3	27.0
Manufacturing	19.7	15.2	18.4	16.6	12.1	11.3	15.0	11.9
Utilities	12.1	16.4	21.7	17.3	10.1	14.0	9.4	8.2
Construction	15.6	-6.8	10.9	15.6	6.9	-7.7	7.0	10.0
Trade	12.7	9.2	9.2	10.4	7.6	6.9	7.1	7.2
Transport & Communication	17.1	17.5	5.0	9.7	14.7	15.6	14.4	11.9
Financial & Bus. Serv.	15.1	10.0	14.8	22.6	10.5	10.0	10.7	16.6
Other Services	11.5	9.4	10.7	14.0	6.7	7.8	5.6	6.9

Source: Department of Statistics, Ministry of Trade and Industry, Republic of Singapore, *Economic Survey of Singapore*, 1980, pp. 72, 73.

As Table 6 indicates, even with some years in which some industries contracted rather than grew, for the period of 1969-1979, the rates of increase in the various major components of GDP increased in real terms between 2.2 percent and 14.7 percent per annum. The modest rate of 2.2 percent per annum for agriculture is quite respectable considering the emphasis on industrialization and urbanization by the Singapore government in this period. In current monetary unit terms, of course, as Table 6 indicates, the average annual growth rates of all segments of GDP, including agriculture and fishing, were decidedly more impressive. Where, for all industries for 1969-1979, the average annual growth rate at 1968 factor cost was 9.4 percent, in current monetary terms, it was 14.7 percent.

The growth of manufacturing was particularly impressive. Between 1960 and 1980, it increased by about 24 times in current factor costs and about nine times in 1968 factor costs and had become Singapore's leading industry. Trade, which had been the leading industry, had slipped to second place by 1980. The rapid increase in the pace of economic life is also reflected in Table 7 below.

TABLE 7

Gross Domestic Fixed Capital Formation in Singapore, 1969-1980 (Annual Growth Rate %)

	At Current Market Prices				At 1968 Market Prices			
	1969-1979	1978	1979	1980	1969-1979	1978	1979	1980
TOTAL	17.9	12.2	16.2	28.7	10.8	10.5	10.4	19.0
Construction & Works	16.6	-3.6	14.1	35.1	7.2	-5.4	6.0	17.2
Residential Buildings	13.3	-15.0	-0.7	21.3	4.6	-15.8	-6.8	6.6
Non-Residential Buildings	22.3	16.8	39.2	37.8	12.1	14.1	29.4	19.2
Other Construction & Works	15.0	-2.5	5.1	57.8	5.4	-4.5	-2.6	36.5
Transport Equipment	26.2	20.2	28.2	15.6	20.1	15.7	19.0	11.8
Machinery & Equipment	15.0	29.1	9.7	32.5	9.4	23.6	7.5	26.5

Source: Department of Statistics, Ministry of Trade and Industry, Republic of Singapore, Economi Survey of Singapore, 1980, p.79.

As Table 7 indicates, between 1969 and 1980, in current market prices, total gross domestic fixed capital formation experienced average annual growth rates of between 12.2 percent and 28.7 percent. In 1968 market prices, the rates were still in the impressive 10.4 percent to 19.0 percent range. It was that rapid expansion of fixed capital, 1969-1980, which led to the explosion of manufacturing facilities, output, etc. in Singapore in that same period as reflected in Table 8 below.

TABLE 8

Principal Statistic of Manufacturing in Singapore, 1969-1980
(Annual Growth Rate %)

	1969-1979	1978	1979	1980
Establishments	6.1	11.6	5.9	7.1
Employment	9.9	11.0	10.4	6.6
Output	20.0	12.1	29.3	34.1
Input	19.1	10.7	29.0	35.3
Remuneration	20.2	17.0	21.0	24.4
Value Added	22.3	15.2	30.6	31.5
Direct Exports	24.0	14.7	29.2	37.8

Source: Department of Statistics, Ministry of Trade and Industry, Republic of Singapore, Economic Survey of Singapore, 1980, p.81.

As a result of the unusually rapid rates of increase shown in Table 8, by 1980 the number of manufacturing establishments in Singapore in 1980 was about six times that which existed in 1960; the number of employees in 1980 was about nine times that of 1960; output in 1980 was about 21 times that of 1960; and the value of direct exports in 1980 was about 17 times that of 1960. It is difficult to describe such progress as anything short of impressive.

That by 1980, Singapore was a light industrial nation well on the way toward becoming not only a more heavily industrialized one but a broadly diversified nation as well, is evidenced in Table 9 below, which deals with the major industry groups in 1980.

TABLE 9

Principal Statistics of Manufacturing by Major Industry Group in Singapore, 1980p

Industry	Establishments		Employment		Output		Value Added		Workers Per Estab-lishment	Value Added per Worker	Ratio of Value Added to Output
	No.	%	No.	%	$ Mil.	%	$ Mil.	%	No.	$000	%
Food & Beverages	305	9.1	13,393	4.7	2,091.7	6.1	446.1	5.0	44	33.3	21.3
Textiles	101	3.0	9,755	3.4	507.1	1.5	158.2	1.8	97	16.2	31.2
Wearing Apparel	488	14.6	30,176	10.5	895.8	2.6	302.2	3.4	62	10.0	33.7
Wood Products	130	3.9	10,997	3.8	795.9	2.3	215.8	2.4	85	19.6	27.1
Furniture	110	3.3	5,886	2.0	175.3	0.5	69.7	0.8	54	11.8	39.8
Paper Prod. & Printing	376	11.2	16,058	5.6	787.2	2.3	323.0	3.6	43	20.1	41.0
Chemical Products	123	3.7	5,941	2.1	865.6	2.5	405.1	4.6	48	68.2	46.8
Petroleum	10	0.3	3,299	1.1	4,806.5	43.2	1,844.2	20.9	330	559.0	12.5
Rubber & Plastic Prod.	232	6.9	10,820	3.8	607.8	1.8	210.0	2.4	47	19.4	34.6
Non-metallic Minerals	86	2.6	4,403	1.5	560.0	1.6	174.9	2.0	51	39.7	31.2
Basic Metals	26	0.8	2,237	0.8	510.8	1.5	186.0	2.1	86	83.1	36.4
Fabricated Metal Prod.	324	9.7	15,121	5.3	1,037.3	3.0	372.9	4.2	47	24.7	35.9

	Establishments		Employment		Output		Value Added		Workers Per Estab- lishment	Value Added per Worker	Ratio of Value Added to Output
	No.	%	No.	%	$ Mil.	%	$ Mil.	%	No.	$000	%
Machinery & Appliances	619	18.5	111,359	38.7	7,529.1	22.0	2,627.3	29.7	180	23.6	34.9
Transport Equipment	242	7.2	31,255	10.9	2,306.2	6.7	1,190.9	13.5	129	38.1	51.6
Precision Equipment	48	1.4	10,305	3.6	381.9	1.1	173.8	2.0	215	16.9	45.5
Other Products	127	3.8	6,309	2.2	426.7	1.3	142.1	1.6	50	22.5	33.3
TOTAL excl. Rubber	3,347	100.0	287,314	100.0	34,284.9	100.0	8,842.2	100.0	86	30.8	25.8
Rubber Processing	14	--	1,840	--	1,205.8	--	85.5	--	131	46.5	7.1
TOTAL incl. Rubber	3,361	--	289,154	--	35,490.7	--	8,927.7	--	86	30.9	25.2

Note: Refers to establishments engaging 10 or more persons.
Source: Department of Statistics, Ministry of Trade and Industry, Republic of Singapore, Economic Survey of Singapore, 1980, p.83.

As Table 9 indicates, unlike Hong Kong, Singapore in 1980 was not dependent on the export of light industrial goods such as textiles and apparel but rather on its exports of petroleum products, machinery and appliances, transportation equipment and electronics manufactures. In 1980, in contrast to Hong Kong, its industries were decidedly on the heavy side, capital-intensive, and much more diversified. Over three-fifths of the value of its manufacturing output were coming from technologically complex capital-intensive industries and less than two-fifths was coming from technologically relatively simple labor-intensive industries.[15] In Hong Kong, less than one-fifth of the value of its manufacturing output was coming from heavy capital-intensive industries whereas four-fifths was coming from light, labor-intensive industries.[16] In Singapore in 1980, for example, only 17.6 percent of the manufacturing establishments and 13.9 percent of the employment were in the textiles and wearing apparel industry.[17] In Hong Kong, in 1981, 28.5 percent of the manufacturing establishments and 40.5 percent of the employment were in the textiles and wearing apparel industry.[18]

In Singapore, labor in the machinery and appliances and other heavy industrial plants worked with larger, more complex, more efficient machinery and in larger more efficient plants than those in the textiles and wearing apparel and other light industrial firms; and consequently earned higher incomes than those in the light industrial firms. The greater values added per worker in the heavy industries of Singapore may explain in part the difference in per capita national income between Singapore and Hong Kong. In 1981, it was $5119 (US) for Singapore and $4527 (US) for Hong Kong.[19]

In 1980, manufacturing was the largest component of GDP, accounting for nearly 30 percent of the total in terms of current factor cost and nearly 25 percent at 1968 factor costs. A very close second was trade which accounted for about 25 percent at current factor costs. It was the leading industry when 1968 factor costs were used, weighing in then at over 25 percent of the total GDP.

As with industry, the growth of Singapore's trade was most impressive.

TABLE 10

Singapore's Trade, 1960, 1970, 1979, and 1980
(Annual Change in %)

	1960	1970	1979	1980
Total Trade	4.2	20.2	31.7	34.0
Imports	4.8	19.9	29.5	33.9
Exports	3.5	20.6	34.6	34.0
Domestic Exports	25.5	26.9	37.6	41.8
Re-exports	-0.7	15.3	30.5	22.8

Source: Department of Statistics, Ministry of Trade and Industry, Republic of Singapore, Economic Survey of Singapore, 1980, p.IX.

As Table 10 suggests, by the 1970s, the annual rate of growth of Singapore's foreign trade was well into double digits. For 1980, the lowest rate of increase registered for any segment of foreign trade was 22.8 percent for re-exports while the highest of 41.8 percent was for domestic exports. These data mirror the rapid growth of domestic exports as Singapore's manufacturing capacity exploded. Between 1960 and 1980, total foreign trade increased by a factor of over 11 while the domestic exports portion increased by a factor of 118.[2] About one-third of Singapore's total trade was in petroleum which Singapore imported, processed, and then exported. The main sources of the petroleum were Saudi Arabia and Kuwait and the principal export markets were Japan, Hong Kong, and West Malaysia. Machinery and transport equipment constituted the second largest group of commodities traded, accounting for 28 percent of the total. The imports consisted mainly of semi-conductors, ships, aircraft, machine parts and components, and switch-gears while the exports consisted of high value-added products as motors, pumps, machine parts, and components for data processing machinery and calculators. In 1980, because of increased interest in oil exploration activities, ten oil rigs were built and delivered with six of them going to the USA.[21]

As with Hong Kong, the source of the rapid economic progress in Singapore is the high quality, work-oriented population. In mid-1980, Singapore had a population of about 2.4 million of whom about 1.1 million were in the labor force and among whom there was only a three percent unemployment rate. In 1982, Hong Kong had a population of 5.2 million of whom 2.5 million were in the labor force and among whom there was an unemployment rate of 3.8 percent.[22] As in Hong Kong, education is stressed in Singapore. Educational programs and facilities include pre-school, primary, secondary, vocational, post-secondary, tertiary adult education, and special education for handicapped children. Specialized professional and other training is available in five institutions of higher learning. In all, over

500,000 students were enrolled in full-time education in 1980. In 1980, Singapore's output of graduate level, technical and skilled manpower was 12,710 with an enrollment of about 33,000 coming up behind them.[23]

Singapore's excellent health facilities are reflected in its medical statistics. In 1982, hospital beds per 1000 were 3.0 and doctors per 1000 were 0.9 compared with 6.0 and 2.7 respectively for the USA in 1980; and major hospital development plans were under way. Life expectancy in 1980 was 67 years and 71 years for males and females, respectively.[24] With respect to welfare, the government's policy is to emphasize self reliance and hard work rather than dependency on government. However, it still provides Public Assistance funds to those rendered destitute because of age, illness, or disability. There is a Central Provident Fund which requires compulsory contributions from all employers and many employees. The savings plan provides some income for workers in their old age and further aids them in the purchase of homes. Some employees can withdraw their contributions to the Fund for the purpose of buying apartments built with public funds.[25]

Overall, Hong Kong taxes and regulates lightly and provides many social services but somewhat fewer assistance programs for business. Singapore, in contrast, taxes and regulates heavily, provides fewer social services but many more assistance programs for business. Let us consider the role of government in the economic development of these two mini-states.

V. GOVERNMENT AND ECONOMIC DEVELOPMENT

While it is evident that Hong Kong and Singapore have much in common, i.e. their strategic location, colonial history and legacy, paucity of inanimate resources, hard-working population, and rapid growth of GDP and per-capita income, there is one aspect of economic development about which they clearly differ; and that is the role of government in economic development. While both preach the virtues of free enterprise and encourage investment and production, Hong Kong is by far the economically freer and less regulated of the two. It has far lower rates of taxation than does Singapore and has fewer economic controls over its citizens and foreign investors.

The revenue of the government of Hong Kong comes from three sources:[26] direct taxes, which in 1978/79 accounted for 33.4 percent of total revenue; (b) indirect taxes, which in that same period accounted for 27.6 percent; and (c) miscellaneous fees, which accounted for 39 percent of total revenue in 1978/79. The direct taxes include a tax on profits earned in Hong Kong which has graduated rates up to a maximum of 15 percent of total income less allowable donations for individuals and 17 percent for corporations; a "salaries tax" on money and real income (e.g. free living quarters) earned in Hong Kong with rates of five percent to a maximum of 15 percent; and "interest tax" on interest and the interest portion of annuities received in Hong Kong with rates of five percent to a maximum of 15 percent; and "property tax" of 15 percent levied against 80 percent of the assessable value of land and non-owner-occupied buildings in Hong Kong.[27]

These already low rates have numerous qualifying clauses which result in even lower taxes being paid. With respect to the "profits tax", no tax is applied to income or profits arising from abroad even if remitted to Hong Kong. There is limited double taxation relief when income taxable in Hong Kong has been taxed in another Commonwealth territory (excluding Britain). With respect to the "property tax", if the owner uses his property for business purposes, he can offset the "property tax" against any "profits tax" charged on his business and where the "property tax" is greater thant the "profits tax" he can claim a refund of the excess.[28]

Hong Kong does not tax offshore income, alimony, the capital portion of annuities, capital-gains, dividends whether from a Hong Kong source or not, or income from a trust. There are no payroll, turnover, sales, value added or gift taxes.[29] The business depreciation allowances in Hong Kong are similarly generous. For industrial structures, 20 percent of the cost can be deducted in the first year with four percent per year thereafter for 20 years. For expenditures on machinery and plant, the first year's depreciation allowance is 25 percent with the rates per subsequent year varying from ten percent to 25 percent per year.

The indirect taxes include a tax on the rental of land and buildings (11 percent to 11.5 percent), excise taxes, royalties and concessions, stamp taxes, and other taxes.[30] There is, also, a "first registration tax" on private cars in Hong Kong. The tax rates--unusually high for Hong Kong--range from 35 percent to 45 percent of the value of the vehicle and are intended more to discourage the importation of automobiles into an already overcrowded city-state than to provide revenue. Motorcycles are taxed at 35 percent and all other vehicles except franchised buses are taxed at 15 percent. More typical are the excise taxes which are levied against only four groups of commodities: tobacco, alcoholic beverages, hydrocarbons, and methyl alcohol. The rates are low by international standards; for example, less than ten cents (US) per liter of motor oil. There are no export duties. There are extremely low business registration fees (US $35); company incorporation fees (US $60 plus .80 per US $200 of nominal capital); stamp duties on documents which range from 0.25 percent to 2.75 percent; and "trade declaration charges" of US $.40 plus US .10 per US $200 of the value of the goods whose value is being declared. There is also an estate tax which is levied against the property of the deceased which is situated in Hong Kong. Estates of less than HK $300,000 (about US $50,000 to $60,000) are exempt and the rates range from six percent to a maximum of 18 percent on estates over HK $3 million (about US

\$500,000 to \$600,000).[31]

In spite of its low tax rates, Hong Kong not only has a large reserve of tax revenue which has accumulated over many years, but it provides numerous useful services, both positive and passive, to aid private enterprise. With few exceptions, trade is not subject to import and export licensing. There are no customs tariffs and thus no bureaucracy to impede the flow of imports and exports. The few trade controls it has generally deal with health, safety, and security, or enable Hong Kong to meet its international obligations; as for example, in connection with Certificates of Origin, which are required by many of Hong Kong's trading parties.[32] The Hong Kong government aids rather than restricts business in general by requiring the registration of all enterprises when dangerous trades are involved, where dangerous goods may be handled, where offensive trades and processes may be organized, and where the environment may be threatened by waste disposal practice or by water, air, and noise pollution. Its standards are not onerous and indeed some visitors to Hong Kong, including this writer, believe that they are not high enough with respect to the environment.

Hong Kong has made strong continuing efforts to attract foreign investment. The government makes no distinction between local and foreign companies. Both types can hold title to land and both are treated equally with respect to taxation and regulation.[33] In June 1980, there were 441 foreign firms engaged in manufacturing in Hong Kong with foreign (i.e. non-Hong Kong) capital invested of nearly US \$500 million. Two-thirds of the money invested was by US and Japanese interests who opened mainly electronic, chemicals, textile, and watch and clock factories and/or opened a broad diversity of other types of manufacturing operations.[34] Their investments had created jobs for over 88,000 people.

While Singapore, too, strongly encourages foreign investment, that is perhaps the only major similarity in the policies of Hong Kong and Singapore in the areas of taxation and government regulation of business. Singapore's approach is much more planned and socially oriented. In 1981, of the total revenue of the government of Singapore, tax revenue accounted for 73.7 percent and non-tax revenue accounted for 26.3 percent.[35] The main sources of tax revenues were direct taxes on income and property, primarily the former. The indirect taxes included import duties, excise duties, motor vehicle taxes and fees and stamp duties.

The income tax rates on individuals and companies are high; they reach a maximum rate of 40 percent. However, to offset the disincentive effects on hard work, the government in the 1980s increased the depreciation rates of plants and machinery. It gave specific tax incentives for research and development activities.[36] On the other hand, because of government policy springing from non-economic considerations, i.e. health, the excise duty on cigarettes manufactured in Singapore was increased and a duty was placed on locally-grown tobacco. To restrain the growth of privately owned automobiles in a densely populated country, it imposed heavier road taxes, vehicle registration fees and license fees. Light truck registration fees were also increased. To encourage greater use of buses, the motor taxes on buses were reduced to encourage the installation of heavier engines. Import duties on buses and commercial vehicles were abolished and the registration fee was reduced.[37]

With respect to foreign investment, Singapore's government is quite explicit. It strongly encourages export oriented manufacturing industries that will contribute to rapid economic growth. It does not encourage foreign investment in shipping, shipping agencies, travel agencies and the like of which Singapore has more than enough. For retail ventures, including hotels, the government prefers to see a joint venture with Singaporeans holding a 51 percent -- i.e. controlling -- interest.[38] It encourages multinational firms to establish regional and national offices in Singapore with the hope that these offices will lead to the establishment of manufacturing facilities making higher value-added products. In public pronouncements in the early 1980s, the government specifically pointed to the desire for such high value manufactures as integrated circuits, computers, industrial electronic equipment, aircraft components and machine tools and medical instruments such as X-ray machines, blood counters, and specialty pharmaceutical products. The government sought to encourage not only increased employment for Singapore's skilled workers but professionals such as engineers, accountants, lawyers, doctors, technicians, computer personnel, and managers as well.[39]

To bring this about, it established tax relief programs for "pioneer industries". Any industry designated a "pioneer industry" -- i.e. one badly needed by Singapore -- would get a zero tax on company profits for five to ten years, depending on the details of each proposed project, such as type of product, investment level, skills, technology, etc.[40] Specialized projects involving the manufacture of new desirable products could be considered for pioneer status even if the investment were extremely small -- say below (US) $1 million.

In addition to the pioneer industries program, Singapore also grants generous investment allowances to industry either in addition to or in lieu of other forms of tax relief. For an approved project, tax-exempt profits up to 50 percent of actual fixed investment on factory buildings and productive equipment can be permitted.[41] If there is insufficient chargeable income in a year, the investment allowance can be carried forward indefinitely until it is used up. Thus, such investment allowances are particularly suitable for long-gestation projects which may not generate profits for some time after the start of commercial production. While qualifying fixed assets exclude land, separate office buildings, motor vehicles, and office equipment, and also the cost of interest during construction, the investment allowances are granted in addition to the normal capital allowances. Companies can also claim simultaneously accelerated depreciation on plant and machinery without loss of any portion of the investment allowance.

Yet another aid to a specific type of business activity is the "Warehousing and Servicing" tax reduction.[42] This entails over a period of five years a company tax reduction from the normal rate of 40 percent to 20 percent on profits derived from export sales of goods or services of desirable engineering products. Profits from domestic sales in the warehousing and/or repair of technical products continue to be taxed at the 40 percent rate. Where the incentive was granted for technical products already warehoused or serviced in Singapore, the tax benefits are limited to export revenue above predetermined base levels. The incentive applies to projects which involve primarily technical or engineering services.

Singapore also provides an International Consultancy Services incentive to encourage "brain" types of services in overseas projects which involve plant and civil construction and related activities. Eligible services include project management and supervision, computer and data processing services, and others. The incentives are a five year company tax reduction from the normal rate of 40 percent to 20 percent on export profits.

In addition, Singapore provides tax incentives whereby a manufacturing enterprise which increases its investment in productive equipment by approximately US $5 million may be granted an exemption on the increase in income resulting from the expansion for a period of up to five years. Singapore also encourages the construction of industrial facilities via accelerated depreciation allowances. While the basic general depreciation allowances are 20 percent the first year and annual allowances of from five percent ot 20 percent on capital expenditures on machinery or plant, as an incentive industrial enterprises may claim 33.3 percent per annum for three years. Accelerated depreciation allowances for industrial buildings are prorated over 25 years after a first year allowance of 25 percent.

The list of other aids to industry is a long one.[43] There are tax exemptions on interest on approved foreign loans, concessionary tax rates on income from approved royalties, duty-free imports of equipment, preferential government purchase of local products, tax incentives for relevant training programs; capital assistance programs for specialized projects of unique economic and technical benefit to Singapore, loan programs for the development and technical upgrading of the generation of small industries, and product development assistance programs to develop local applied research and product development capability and to build up indigenous technology.

In addition to encouraging manufacturing and other industrial growth, Singapore's government strongly encourages exports. An export incentive is the four percent tax on export profits instead of the normal 40 percent on company profits. It is used to encourage exports or in cases where it would be unjustified to award pioneer status because of existing local manufacture. The export incentive period ranges from five to 15 years, with the latter applying to projects with a fixed capital expenditure exceeding approximately US $75 million, provided 50 percent of the company's paid-up capital is held by permanent Singapore residents. There are other international trade incentives meant for trading companies which export Singapore-manufactured products or which trade in non-traditional commodities. The incentives for these exports are a five-year concessionary company tax of 20 percent on export profits instead of the normal company rate of 40 percent. To get the lower tax rates, companies must either export a minimum of about US $5 million per annum of qualifying manufactured products or Singapore domestic produce or a minimum of about US $10 million of non-traditional commodities.

There are still other incentives for export as well as those for industrial development but those cited above underscore one of the central facts about Singapore's economic development. It is that while Singapore taxes heavily, the government is quite eager to sharply reduce taxes for those enterprises which operate in a way which contributes to attainment of its objectives. The government taxes heavily and regulates in detail, but it does also encourage selected economic activities in extremely generous albeit forceful style. In contrast, as noted above, the government of Hong Kong taxes and regulates lightly, and does less to plan for and achieve specific economic objectives. Its approach is distinctly that of laissez faire.

Which of the two approaches is the superior one? An answer to that question requires consideration of numerous non-economic as well as economic factors which are simply too complex and too subjective to consider briefly. Suffice it to note that proponents of both libertarianism and central planning can find much to support their position in a review of the recent economic development and current levels of achievement of Hong Kong and Singapore. What, however, of the future?

VI. THE FUTURE

In 1997, the British Government's 99 year lease of the New Territories expires. As this is written the indications are that the People's Republic of China will resume sovereign jurisdiction over it and the huge manufacturing, trading, and service facilities therein. By 1997, if that occurs, economically, Hong Kong will have been emasculated. In 1980, there began large movements of capital and capitalists out of Hong Kong[44] which accelerated in 1982 and 1983. As in 1949, when they fled the Chinese Civil War to seek refuge in Hong Kong, entrepreneurs and others are now leaving Hong Kong to establish new lives in Singapore, elsewhere in Southeast Asia, Canada, Australia, Western Europe, the United States, and elsewhere. They are leaving while there is time for them to liquidate their assets without sustaining severe losses. The unpredictability of the government of China some 17 years before scheduled reconveyance to China of the New Territories was and is having a chilling effect on its economic development. That chilling effect may become greater as 1997 approaches and uncertainty over the course of future events increases.[45]

In contrast, the economic development of Singapore seems likely to at least continue if not accelerate. A beneficiary of the exodus from Hong Kong, Singapore's more diversified economy and in particular its heavier higher value-added industries seem likely to result in continued rapid growth of its GDP, and GDP per capita. Its imaginative approach since 1960 to its problems has already resulted in it becoming a model of economic development. Perhaps the chief dangers Singapore faces are excess population and depressed world markets. It has initiated population control programs to deal with the former and export diversification programs to deal with the latter point.[46] As a first approximation, it seems reasonable to believe that these programs will succeed; and hence, that its presently impressive rate of development will continue.

FOOTNOTES

"Economic Development in Hong Kong and Singapore"

1. See Sidney Klein, "Lessons for Less Developed Countries: The Japan and USA Cases," Proceedings of the Tenth International Conference on the Unity of the Sciences, Vol. I, 1982, pp. 233-261

2. For economic histories of Hong Kong and Singapore see:

   A. Hong Kong: T.N. Chiu, The Port of Hong Kong: A Survey of Its Development, Hong Kong University Press, 1973; Alvin Rabushka, Hong Kong: A Study in Economic Freedom, University of Chicago Graduate School of Business, 1979; A.J. Youngson, Hong Kong, Economic Growth and Policy, Oxford University Press, 1982.

   B. Singapore: Iain Buchanan, Singapore in Southeast Asia: An Economic and Political Appraisal, London, Bell, 1982; Frederick C. Deyo, Dependent Development and Industrial Order, An Asian Case Study, Praeger, N.Y., 1981; You Poh Seng and Lim Chong Yah (ed.), The Singapore Economy, Eastern Universities Press, 1971.

3. For earlier comparative studies see:

   Theodore Geiger, Tales of Two City-States, The Development of Hong Kong and Singapore, National Planning Association, Washington, D.C., 1973; and Mee-Kau Nyaw and Chan-leong Chan, "Structure and Development -- Strategies of the Manufacturing Industries in Singapore and Hong Kong: A Comparative Study," Asian Survey, University of California Press, Vol. XXII, No. 5, pp. 449-469.

4. Hong Kong Government, Two Decades of Economic Achievement, p. 9.

5. Ibid.

6. Hong Kong Government, Hong Kong: The Facts-Industry, n.d., p. 1.

7. Ibid.

8. Hong Kong Government, Hong Kong Into the 80s--Industrial Investment, n.d., pp. 10-15, passim.

9. Hong Kong Government, Hong Kong: The Facts-General Summary, n.d., p. 2.

10. Ibid.

11. Hong Kong Government, Hong Kong: The Facts-Education, n.d., p. 1.

12. Ibid., p. 2.

13. Hong Kong Government, Hong Kong: The Facts-Social Welfare, n.d., pp. 1-2.

14. Ibid. p. 1.

15. Ministry of Trade and Industry, Republic of Singapore, Economic Survey of Singapore, 1980, n.d.

16. Hong Kong Into the 80s, op. cit., Table 6.

17. Economic Survey of Singapore, 1980, op. cit., Table 2.3, p. 83.

18. Hong Kong Government, Hong Kong for the Business Visitor, n.d., p. 21.

19. Federal Reserve Bank of San Francisco, Pacific Basic Economic Indicators, Vol. 7, No. 4, December 1982, p. 2.

20. Economic Survey of Singapore, 1980, op. cit., p. IX.

21. Ibid. p. 30.

22. Hong Kong Census and Statistics Department, Hong Kong in Figures, 1983 edition, p. 1.

23. Economic Survey of Singapore, 1980, op. cit., p. 51, Table XXIX.

24. Republic of Singapore, The Investment Environment in Singapore, n.d., p.7.

25. Ibid. p. 2.

26. Price Waterhouse Information Guide, Doing Business in Hong Kong, September 1979, p. 35.

27. Ibid.pp. 35-37, Passiar.

28. Hong Kong Into the 80s, op. cit., pp. 29-32, passim.

29. Price Waterhouse, op. cit., p. 35.

30. Hong Kong Into the 80s, op. cit., p. 32.

31. Price Waterhouse, op. cit., p. 75.

32. Hong Kong Government, Hong Kong for the Business Visitor, n.d., p. 14.

33. Price Waterhouse, op. cit., pp. 7, 48, 52-53.

34. Hong Kong Into the 80s, Tables 12 and 13.

35. Information Division, Ministry of Culture, Republic of Singapore, Singapore, Facts and Pictures, 1982, n.d., p. 85.

36. Economic Survey of Singapore, 1980, op. cit., p. 39.

37. Ibid.

38. Republic of Singapore, Economic Policies and Economic Growth, n.d., p. 10.

39. Ibid. p. 11.

40. Republic of Singapore, Industrial and Investment Incentives, n.d., p. 21.

41. Ibid.

42. Ibid., p. 22.

43. Ibid., passim, pp. 24-27.

44. Michael Parks, "Hong Kong Is Suffering From Exodus of Cash," Los Angeles Times, February 22, 1983, Pt. IV, pp. 1, 2, 3.

45. Robert Maganson and E.S. Browning, "Lenders Shun Hong Kong Realty Firms," Wall Street Journal, April 13, 1983, p. 30.

46. Industrial and Investment Incentives, op. cit., p. 1.

EPILOGUE

The economic success of Hong Kong and Singapore in recent decades raises many interesting questions. What factors accounted for their rapid development? Was it economic assistance from more developed countries? No. Neither city-state was the beneficiary of USA, British, Russian, or other AID-type of assistance. The monetary and physical as well as human capital was all Hong Kong-and-Singapore in origin; in contrast to Japan, South Korea and Taiwan which benefited from US economic assistance in the post-World War II years. Was the absence of strong labor unions and therefore the presence of low wage rates a major contributing factor? Possibly. However, if that is the main factor, how does one explain the retarded state of economic development of nations in Central and South America, Africa, the Middle East, and elsewhere in Asia? In those areas, labor unionism and wage rates were and are as underdeveloped as in Hong Kong and Singapore. Is the absence of heavy military expenditures the main reason why Hong Kong and Singapore have recorded such high growth rates? If that were so, then nations with heavy military expenditures would be expected to have low rates of growth. How then, does one explain South Korea, Taiwan, and other nations which have experienced very high growth rates in spite of extremely large military burdens? Is it that states as small as cities are inherently more manageable and efficient than large national states? If that is so, how does one explain the deterioration of the quality of life in Mexico City, Cairo, and other cities comparable in size and to some degree in government to Hong Kong and Singapore? Is it a matter of culture? Possibly. However, Malaysia has a large Chinese population but is not nearly as productive and economically impressive as its smaller less populous neighbor Singapore which also has a large Chinese population. On the other hand, there appear to be great cultural differences between the populations of France and Germany which are reflected in their attitudes toward work and which may also be reflected in their respective productivities and national outputs. The question calls for intense statistical analysis which lies beyond the scope of this paper.

What is clear at this time is that no one model of economic development is suitable for all nations. What is suitable for India or Algeria may not be suitable for China or Nigeria. Decision-making can be either centralized or decentralized, depending on individual circumstances, and still work. Allocation of resources between the public and private sectors can vary widely from nation to nation and still be effective. The only factors which appear to be common to all national economic success stories are that the populations involved placed extremely high values on education and hard work. What Hong Kong and Singapore have most in common with Japan, South Korea, and Taiwan is not their Asian geographic and ethnic group backgrounds, but rather their willingness to study and to work to the maximum, and to stress investment in the future rather than current consumption. To illustrate the principle, let us briefly consider Israel, a Middle Eastern nation with a large number of European and other non-Asian Jews who also stress education and hard work. As with Hong Kong and Singapore, the paucity of natural resources and the small size of the population have not prevented Israel from experiencing rapid economic development since 1948. Were it not for Israel's heavy military expenditures, loss of manpower in five wars, powerful unions, high wage rates, and considerable economic assistance received from abroad, it would have made an excellent third small nation to be evaluated in this paper along with Hong Kong and Singapore. Perhaps it will be considered at a later date. What is clear at this time is that education and hard work have been important in its development.

What can also be stated with certainty at this time is that if Hong Kong and Singapore are not perfect models of economic development for other nations then they are certainly close to it. Which of the two is the better model is probably a matter of national economic taste and philosophy. What will happen to them as models if and when labor unions become more powerful in those areas and wage rates rise? I don't know. The possibilities include British-type of economic stagnation, e.g. an average annual growth rate of real GNP from 1974-1981 of .9 percent; a West German-type of moderate economic growth, e.g. an average annual growth rate of real GNP from 1974-1981 of 2.2 percent; and continuation of their presently high rates of growth. Forced to make a choice, at this time I would bet on the latter. Let us wait and see.