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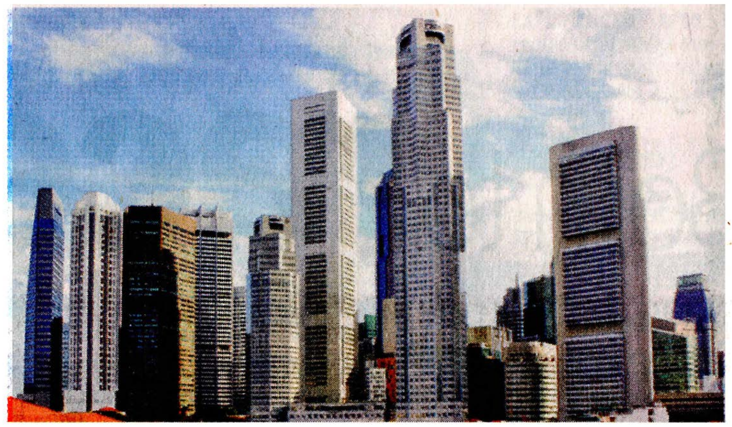
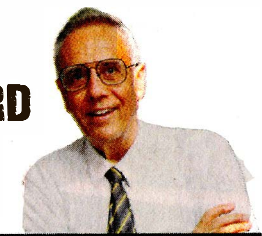


THE LAST WORD



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Why is it that some countries boom while others go bust?

Adam Smith tried answering that question in 1776 when he wrote the first economics textbook, "The Wealth of Nations". He attributed it to an economy's openness.

Since then, we have learned more, but not all nations have done equally well in their lessons.

Take South and North Korea. In many ways, they are practically the same. They have about the same land area, natural resources, language, climate and culture. Yet one is an economic powerhouse while the other is in a permanent state of crisis.

The same is true for Thailand and Myanmar. There's also Mexico vs. Cuba, South Africa vs. Zimbabwe, Greece vs. Bulgaria and Dubai vs. Sharjah.

Is one country doing something right while the other got it wrong? Did one nation's leaders receive "A" grades in economics courses while the others never took the subject?

Singapore has a limited land area, no natural resources and in the early 1960's was described as "a mosquito infested swamp land". Yet the nation has managed to survive and prosper.

If we were to "pair" ourselves with another region, it might be with Bintan, Indonesia. We are both islands, and both are located in the same part of the world.

In fact, Bintan would appear to have the advantage since its land area is more than twice ours (1866 sq km for Bintan vs. 666 sq km for S'pore), yet its per capita GDP lags far behind ours.

Setting up good economic policies isn't rocket science. Any country can do it. But not everyone does, and the GDP difference between "twin countries" is enormous as shown in the table below.

What makes a nation successful? What gives it get-up-and-go?

Here are Singapore's secrets for success in 7 easy steps.

SEVEN STEPS TO PROSPERITY

1) Other people's money: Why fear foreign investment? It is the only way a country can quickly build factories and import technology.

In the late 1960's, Singapore made presentations to multi-national companies (MNCs), convincing them to come here and set up shop.

Other developing economies did the opposite. They feared exploitation and foreign ownership, and so they discouraged foreign investment. Too bad. They missed out.

*Quick***Quote**

"Don't look back. Something might be gaining on you."

Leroy "Satchel" Paige
Hall of fame baseball player

2) Foreign talent: How many Singaporeans are world experts in the molecular biology of reverse osmosis DNA extraction? Sorry but it is zero. We have no choice but to import the expertise.

So what? There seems to be no harm if a few of our neighbours have peculiar names like Messerschmitt and Jones instead of common ones like Tan and Tay. It adds to the variety and the skill base.

3) Stability: Exxon-Mobil picked Singapore to build its largest petro-chemical plant in Asia. Other MNCs make similar choices every month.

A key reason is predictability. Companies can relax if they know the policies that brought them here in the first place will still be in place 20 years later. Stability reduces business risk.

4) Invest: Which is best: Debts or surpluses?

Debts allow a country to spend now and live it up in the short-run. Surpluses benefit future generations.

Singapore has chosen to invest in the future. Its sovereign funds are estimated by Morgan Stanley to be worth over $700 billion, making our fund the second largest in the world, after United Arab Emirates.

You can think of Temasek and GIC as being Singapore's oil wells. Actually, sovereign funds are better than oil wells, since they grow over time while oil wells deplete until the hole is dry.

5) Comparative advantage: Economics is sure of one thing: A country should focus on its natural advantages – which makes a lot of sense unless it has none.

What if you are like Singapore: Sitting on a rock, surrounded by the sea. We have no oil, no mining, no farm land and don't even have our own drinking water.

There is no choice but to go out and create opportunities. But how to create something from nothing?

In the 1950's we weren't number 1 in anything and had been described as "a mosquito invested swamp land". Today, we are a world leader in airlines, port facilities, ship building, shipping, semi-conductors, telecommunications, tourism, banking, scientific research and education.

6) Strong $$$: It doesn't work for every country. But it does for us since Singapore imports 60 per cent of its GDP. It makes a strong currency the best way to go.

Unfortunately, a strong currency also slows exports.

The solution: Focus on high-value industries. Then sell customers on the idea that price isn't everything. Quality and expertise count too. When convinced, they pay top dollar for our exports.

7) Legal System: If a business partner cheats you, pray that it happens in Singapore.

Here, you can simply go to the courts to set things right. It is like having a second chance. You don't get that everywhere.

Twin countries: Rich vs. Poor

Rich Brother	GDP Per Capita	Poor Brother	GDP Per Capita
Singapore	$55,000	Bintan	$3,500
Dubai	$48,000	Sharjah	$25,000
South Korea	$24,000	North Korea	$500
Mexico	$10,500	Cuba	$6,000
South Africa	$6,500	Zimbabwe	$1,000
Thailand	$5,500	Laos	$1,500

(i) Source: International Monetary Fund, 2013. **(ii)** Figures in US$. **(iii)** Figures show the country's GDP divided by its population. **(iv)** The world's per capita GDP is $10,500.