

Alaska-Singapore Connection

Interesting parallels and an instructive model

By Greg Wolf

At first glance, one could wonder: "What do Alaska and Singapore have in common? A fair question. It is certainly an easier task to identify how they are different. However, upon closer examination, some interesting parallels can be found. Further, Singapore may provide an example of an economic development model that is instructive for Alaska.

Obvious Differences

Let's start with some of the obvious differences: Singapore is located in Southeast Asia and enjoys a sub-tropical climate while Alaska is located near the top of the world, in the Arctic, and for most of the year experiences a cold-weather climate. Singapore is a tiny country, really a city-state, of only 277 square miles of land. Meanwhile, Alaska is a huge land mass, twice the size of Texas, encompassing more than 660,000 square miles. Singapore is a very densely populated island nation of 5.5 million people while Alaska has a sparse population of some 700,000. And, while Singapore is essentially devoid of natural resources, Alaska has them in abundance.

Some Similarities

How about the similarities? Modern Singapore and Alaska are approximately the same age. Singapore gained self-rule from Great Britain in 1955 and became an independent nation in 1963. Alaska achieved statehood in 1959. So, both are roughly fifty years old, give or take a few years. Both Alaska and Singapore have a major role in global energy markets:

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Singapore is the oil hub of Asia and one of the world's top three export refining centers, with a refining capacity of 1.3 million barrels per day. It is now moving to expand its role as an LNG (liquefied natural gas) trading hub. Alaska is the fourth largest oil producer in the United States and is now endeavoring to play a greater role in the global LNG market with development of the Alaska LNG Project, an export project that would deliver LNG to energy hungry countries in Asia.

Both Singapore and Alaska have sovereign wealth funds, albeit with some significant differences. Singapore launched its first fund, Temasek Holdings, in 1974. The value of its assets under management is now \$223 billion. Alaska launched the Alaska Permanent Fund in 1976 and the fund now has assets of approximately \$50 billion. The capital for Singapore's sovereign wealth funds, like most other Asian funds, originates from excess foreign reserves earned through exports, while the capital for Alaska's fund is derived from income from oil and gas.

Successful Transition

At the time of becoming an independent nation, Singapore was an economic backwater. Poor by any standard, the fledgling state suffered from high levels of unemployment, lack of sanitation, scarce supplies of potable water, and ethnic conflict. The country lacked virtually any natural resources and its millions of people were crowded into a tiny piece of land. Three decades later, Singapore has emerged from this unavoidable condition to become one of the fastest growing economies in the world. They would be dubbed one of the "Asian Tigers" en route to becoming one of the most prosperous nations in the world.

Their highly successful transition from "Third World to First" has become a much studied model of economic development, usually referred to as simply "The Singapore Model." Acting in some ways more like a corporation than a typical government, the term "Singapore, Inc." is frequently used to describe its economic behavior.

'Hands On' Strategy

Singapore does not employ a "hope and pray" strategy when it comes to economic development. Rather, their approach is very hands on. They have a history of taking proactive steps to attract particular industries to their country in order to achieve a national goal or priority. In some cases this has included making direct investments in companies and projects they are seeking to attract, and, at times, actually creating and funding new companies to achieve these ends.

A recent example is Pavillion Energy. Already a major player in oil storage, refining, distribution, and trading, Singapore is now looking to do the same with the Asian LNG market. To do so, the Singapore Government, through Temasek, established Pavillion Energy. The company, launched in 2013, aims to help Singapore become an important player in Asia's LNG market. It will do so through investments in key LNG assets and related LNG businesses. The company is 100 percent owned by Temasek. The company will make investments in upstream assets and through its subsidiary, Pavillion Gas, will manage downstream gas operations in Singapore. The company will be involved in storage, distribution, and trading of LNG in the Asia region.

High Tech

Another example, this time in the high tech sector, also highlights the country's willingness to "put skin in the game" in order to attract a particular industry or specific segment of an industry. In this case, Singapore sought to establish semiconductor

wafer fabrication plants on the island. Wafer fabrication, known as the "front end" of semiconductor manufacturing, would complement Singapore's existing "back end" operations that include final test, assembly, and distribution of the chips. In other words, this would give them vertical integration of the semiconductor manufacturing process.

In the early '90s, in order to jump start recruitment of this segment of the industry, the Singapore Government, using the Economic Development Board of Singapore as the vehicle, offered to put up 26 percent of the \$300 million investment capital needed to build the facility. They then sought partners from the global semiconductor industry to put up the other 74 percent. Three companies answered the call: Texas Instruments invested 26 percent, Hewlett-Packard 24 percent, and Canon the other 24 percent. The company was named TECH Semiconductor. In 2011, the facility was sold to American chip maker Micron Technology. At the time of Micron's purchase, TECH was valued at \$1.2 billion.

Considerations

These are just two examples of the approach taken by Singapore to foster economic growth and diversification of their economy. It may not be an approach that can be easily duplicated by others, but it has certainly been successful for them. Some elements of this approach may have applications here in Alaska and merit consideration by Alaskans. ☀



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