CHAPTER ONE

SINGAPORE AND INDIA COLLABORATION IN
INFORMATION TECHNOLOGY

*Globalisation*

Globalisation, for all its multifaceted nature, arguably describes several processes in motion. Some of these processes reflect changing concepts of regionalism and bilateralism. The once-dominant role of the state is being challenged by influential multinational corporations (MNCs)1 and intergovernmental organisations (IGOs). The inability of the World Trade Organisation (WTO) to deliver an acceptable multilateral approach to economic development has created a niche for alternative economic strategies, such as regional and bilateral Free Trade Agreements (FTAs). These FTAs are causing a paradigm shift among governmental agencies, MNCs and smaller medium enterprises (SMEs) because they provide alternatives to a multilateral trading agreement. In an increasingly globalised world characterised by economic integration, primary and manufacturing industries—though still important to the modern day economy—are being eclipsed by the services industry.

Various governments have intervened in numerous ways in economic development to ensure the survival of their nations, especially in periods of greater volatility in a more integrated global economy. Schmitter argued that the need for capital accumulation has forced the state to intervene more directly into the economy and to bargain with political associations that influence economic expansion (Schmitter & Lehmbruch, 1979). These political associations would include rival political parties, trade unions and other vested interests. This has given rise to corporatist theory or corporatism (Hill, 1997). States that use economic strategies based on corporatism to enhance economic development are termed ‘developmental states’. According to Leftwich these

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1 The Transnational Corporation (TNC), Multinational Corporations (MNCs) or the Multinational Enterprise (MNEs) refer to a company that enters markets throughout the world by establishing its own sales and production subsidiaries, Franklin R. Root, *Entry Strategies for International Markets*, Maxwell Macmillan International, New York, 1994, pp. 252–253.
developmental states are characterised by a relatively stable economy, a powerful, competent and insulated bureaucracy, determined developmental elites and the capacity for effective economic management of private economic interests (Leftwich, 2000). Atul Kohli, in his discussion on state and development, referred to developmental states as cohesive-capitalist states. These cohesive-capitalist states have centralised and purposive institutional structures that have authority. These states were also found to equate rapid economic growth with national security and survival (Kohli, 2004). In this regard, Singapore is a developmental state or a cohesive-capitalist state but, in contrast, India could be described as a fragmented multi-class state. Kohli described a fragmented multi-class state as developing countries with plebiscitarian politics and weak institutions that pursue complex state-led agendas (Kohli, 2004).

The aim of this monograph will be to account for the expanding economic ties between Singapore and India with reference to the information technology (IT) sector. Post-1991, it will trace the factors that led to the collaboration between Singapore and India in the IT sector. However, before I begin my discussion on Singapore and India bilateral economic relations, we need to ask this: Why did Singapore choose the IT sector on which to focus its strategic economic cooperation with India? The IT sector is part of the knowledge-based economy (KBE) that Singapore is emphasising to sustain economic growth into the 21st century, but plans to develop a KBE did not materialise overnight. It has been argued by scholars like Edgar Schein that Singapore’s emphasis on KBE goes back to its founding as a nation state (Schein, 1996). Prior to Britain pulling out its troops from Singapore in the 1960s, the-then Singapore Prime Minister Lee Kuan Yew had a fortuitous meeting with EJ Mayer, the director of the industrial planning department in Israel’s ministry of commerce and industry. Singapore’s geo-strategic concerns were similar to those of Israel, and both Lee and Mayer concluded that, ‘If you are surrounded by neighbours who don’t want or need your products, you must “leapfrog” (be ahead) them economically so that they will need your products’ (Schein, 1996). Mayer implied that, like Israel, Singapore must skip one or more steps in the chain of economic development to get ahead of other countries that are following more traditional routes of economic development (Schein, 1996). Mayer also advised Lee to ‘recognise that the only resource you have is your people, their brains, and their skills. Sort them and pick the best’ (Schein, 1996). Arguably, this also sparked off the drive for the state’s emphasis on meritocracy.