The state as architect of markets

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Statutory boards and government-linked companies

The institutional legacy of the 1960s is a dense network of statutory boards and government-linked companies. Most of the state and semi-state enterprises were founded between 1968 and 1972. When Winsemius retired in 1983, Stoelinga counts 505 government-linked companies grouped under three holding companies, Temasek Holdings, Sheng-Li Holdings and MND Holdings. They ranged from shipyards and petrochemicals to shipping, aviation, property and trading companies such as Intraco, created in November 1968 to take over the EDB's export promotion centre.[1]

The government justified these enterprises by gaps in the private sector. Where local entrepreneurs lacked capital or expertise, the state invested directly, often alongside foreign partners. Lee Hsien Loong described the public sector of the founding period as a small and tightly knit group of ministers and officials who shared the same world view and acted in concert. In such conditions, he said, only a very intrepid or obtuse bureaucrat would have dared to obstruct a development project. He also stated the governing principle bluntly: "Contrary to laissez faire dogma, in Singapore a favourable business environment relies on an efficient civil service, not an atrophied one."[2]

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The creation of Temasek Holdings in 1974 and of GIC in 1981, examined in Chapter I of Part D, gave this state capital a permanent form.[3] The difference from the state enterprises of other developing countries lay in the discipline imposed on them. Government-linked companies were expected to earn commercial returns, compete with private firms and, in many cases, list their shares on the stock exchange.

From the factory to the financial centre

The methods developed for manufacturing were later applied to finance. In 1968, the year of the reorganisation of the EDB, Singapore began to promote an offshore currency market. It eliminated withholding tax on interest paid to non-residents on their deposits and allowed the first Asian Currency Unit to open in October 1968.[4] The sources diverge on whether the tax exemption dates from August 1968 or from the legislation of 1969, a question that Chapter IV of this part takes up. The pattern is the same as in manufacturing: identify an international business that can be attracted, remove the obstacles, offer a targeted tax concession and let foreign institutions do the rest.

Lessons of the industrial strategy for the financial centre

Several features of the EDB's method passed directly into the governance of the financial centre. The first is the conviction that a small state must market itself actively. Lee Hsien Loong rejected the argument that investors would come on their own once the fundamentals were right, observing that multinationals decide under time pressure and with partial information, which gives a capable agency the chance to swing projects towards Singapore. The second is coordination. The EDB was expected to persuade other ministries and agencies to remove obstacles for investors, so that a project could move from decision to production in weeks. The third is the use of foreign firms as teachers, whose presence would build skills, suppliers and local managers. The fourth is the willingness to adjust national policy to the needs of investors, from tax rules to training and immigration.[5]

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Each of these features reappears in the chapters on the Monetary Authority of Singapore, the wealth management strategy and the incentives for funds and family offices. The financial regulator, examined in Chapter V of this part and in Part E, combines supervision with the promotion of the sector in a way that the Swiss authorities do not. Critics see a risk in this combination, since an agency that courts business may hesitate to discipline it. The integrity shocks discussed in Chapter VI of Part E test precisely this tension. Supporters point to the speed with which Singapore has built new markets, from Asian dollars in 1968 to crypto-assets in the 2020s.

The EDB itself moved into services. In 1986, after the recession of 1985, it set up a Services Promotion Division to attract investment in 18 tradable service sectors. The figures for that recession again diverge. The National Heritage Board account speaks of a contraction of 1.7 per cent, the first since independence, while later revised national accounts show a decline of 0.6 per cent.[6] By 1991 the EDB had broadened its targets from manufacturing to services such as operational headquarters and research and development. Singapore then hosted more than 700 international manufacturing companies and 2,000 more in trading, finance and services.[7] The headquarters incentives of the 1980s anticipated the family office incentives examined in Chapter III of Part E, and the logic of the Global Trader Programme discussed in Chapter I of Part G.

The EDB today

Sixty-five years after its founding, the EDB remains the principal investment promotion agency of Singapore. It maintains 20 international offices in 14 countries and has operated an investment arm, EDBI, since 1991. In 2025 it secured commitments of S$14.2 billion in fixed asset investment and S$8.9 billion in total business expenditure. Once realised over five years, these commitments are expected to create 15,700 jobs and S$18 billion of value added a year.[8]

Manufacturing still accounted for 18.5 per cent of nominal GDP in 2025, compared with 14.0 per cent for finance and insurance. The stock of foreign direct investment in Singapore reached S$3,130 billion at the end of 2024, of which S$779 billion came

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from the United States.[9] The financial centre is thus embedded in an economy that the strategy of the 1960s created. Its banks finance the multinationals, its fund managers invest in them and its lawyers draft their contracts.

Pillar Two and the new incentive toolbox

The tax holiday, the oldest instrument of the EDB, has lost much of its force under the global minimum tax. Singapore's Multinational Enterprise (Minimum Tax) Act 2024 sets a minimum rate of 15 per cent and introduces a domestic top-up tax. The Act applies to multinational groups with consolidated revenue of at least EUR 750 million in two of the four preceding years, for financial years beginning on or after 1 January 2025.[10] A pioneer tax holiday that reduces the effective rate below 15 per cent would simply shift revenue from the investor to the Singapore treasury through the top-up tax.

The government responded in Budget 2024 with the Refundable Investment Credit, granted by the EDB and Enterprise Singapore. Companies can receive up to 50 per cent of support on each qualifying expenditure category. Unused credits are refunded in cash within four years of the company meeting the conditions.[11] The instrument is new. Its method is that of the 1960s: a discretionary grant, negotiated with an agency, conditional on commitments that serve the national economy.

Notes

1. F. Stoelinga, *Albert Winsemius*, op. cit., p. 331, citing *Parliamentary Debates, Official Report*, vol. 43, no. 1, 1983, cols 90–96; F. Stoelinga, *Albert Winsemius*, op. cit., pp. 330–331; Wikipedia, "1968 in Singapore" (accessed November 2026): Intraco Ltd formed on 5 November 1968. ↩
2. Speech by BG Lee Hsien Loong, 1 August 1991, op. cit., p. 8; Speech by BG Lee Hsien Loong, 1 August 1991, op. cit., p. 7. ↩
3. Wikipedia, "Temasek Holdings" (accessed November 2026): incorporated under the Companies Act on 25 June 1974; Wikipedia, "GIC Private Limited"

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(accessed November 2026): founded on 22 May 1981 as the Government of Singapore Investment Corporation. ↩

4. F. Stoelinga, *Albert Winsemius*, op. cit., pp. 330–331 and 358, quoting Catherine R. Schenk, "The Dissolution of a Monetary Union: The Case of Malaysia and Singapore 1963–1974" (2013) 41 *Journal of Imperial and Commonwealth History* 496, at 514–515 (withholding tax on deposit interest of non-residents eliminated in August 1968), and Katrijn de Ronde on the first Asian Currency Unit, set up by Bank of America in October 1968. The speech at the sixth International Tax Conference, op. cit., p. 3, dates the legislation to 1969. ↩

5. Speech by BG Lee Hsien Loong, 1 August 1991, op. cit., pp. 3–5: the free-market objection and the reply that MNCs "have to decide on investment projects under time pressure and given only partial information"; the EDB "has coordinated policy implementation by multiple departments and agencies"; "As a nation, we have consciously adjusted our policies, modified our attitudes, and trained our workers to match changing market needs." ↩

6. Roots.gov.sg, "Transforming Landscapes, Improving Lives", op. cit.: Services Promotion Division of 1986 covering 18 tradable service sectors; contraction of 1.7 per cent in 1985; Wikipedia, "Economy of Singapore", data table (accessed November 2026): real GDP growth of –0.6 per cent in 1985. ↩

7. Speech by BG Lee Hsien Loong, 1 August 1991, op. cit., pp. 3 and 9: "It has broadened from promoting manufacturing to including service activities, such as operational Headquarters and R&D, among its targets"; "more than 700 international manufacturing companies, and 2,000 more in the trading, financial and services sectors". ↩

8. Wikipedia, "Economic Development Board" (accessed November 2026): EDBI has served as the EDB's investment arm since 1991; "20 international offices in 14 countries"; Singapore Economic Development Board, media release, "EDB continued to secure high value investment commitments in 2025 amidst a volatile global operating environment", 9 February 2026, paras 3 and 5: FAI of

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S$14.2 billion, of which about S$12.1 billion from manufacturing-related projects; TBE of S$8.9 billion; 15,700 jobs; S$18 billion in value added. ↩

9. Department of Statistics Singapore, infographic "Singapore Economy" (accessed November 2026), p. 1: GDP 2025 at current market prices, manufacturing 18.5 per cent, finance and insurance 14.0 per cent, wholesale trade 19.7 per cent; p. 3: "Stock of Foreign Direct Investment in Singapore in 2024 Total S$3,130.4 Bil", USA S$778.6 billion. ↩
10. Multinational Enterprise (Minimum Tax) Act 2024, ss. 7 ("The minimum rate is 15%"), 8(1)–(2) and 27–28, as reproduced on lawplayer.com from Singapore Statutes Online (accessed November 2026). ↩
11. Inland Revenue Authority of Singapore, "Refundable Investment Credit (RIC)" (iras.gov.sg, accessed November 2026): "Companies can receive up to 50% of support on each qualifying expenditure category"; unutilised credits refunded "in cash within four years"; legal basis in s. 93B of the Income Tax Act 1947; EDB and EnterpriseSG as "Approving Authorities". ↩

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