

Is Singapore's Future In Malaysia?

BY SIN-MING SHAW

WHEN LEE Kuan Yew, architect of the modern city-state of Singapore, raised the sensitive issue of possible reunification with Malaysia, the reaction among businesspeople I know in Kuala Lumpur was dismissive.

But Lee is not given to frivolous speculation, and I thought it was worth further consideration. I am not a political analyst, so I limit my thoughts to the economics of the idea — not necessarily the most important item on any national agenda, but a decent starting point.

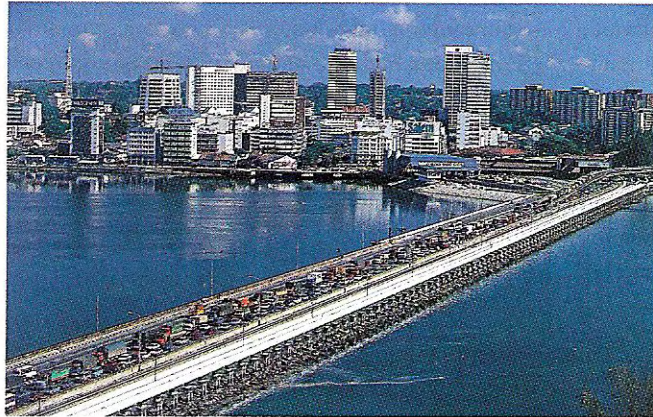
Since I am an investment bull on Malaysia in general and the southern state of Johor in particular, I examined the Johor-Singapore economic equation.

Leaving my hotel at the southern tip of Singapore at 7:30 a.m. on a midweek day, it took me only about 30 minutes to drive across the island and Johor Strait and clear Malaysian immigration control. But traffic in the other direction reminded me of Los Angeles during rush hours on any of the principal highways. It was bumper to bumper, like a parking lot.

The obvious question is: How many Johor residents go to work in Singapore every day? The Singaporean Immigration Department declined to answer me. The matter is "confidential," they say.

So, taking the Peter Lynch route of investigation by trusting one's own common sense, the number must be quite substantial. (Lynch used to run America's biggest mutual fund, the Magellan Fund, and he has written several best-selling books counseling common sense in investing, including *One Up On Wall Street*.) When I returned to Singapore about 6:30 p.m., the traffic flow going in the opposite direction was bumper to bumper.

Residential property prices in Singapore are up to five times higher than in Johor state, which itself has some of the most expensive real estate in Malaysia. Wages in Singapore are up to four times higher than in Johor. These differentials have far-reaching impli-



The morning commuter rush out of Johor Babru

cations. In investment jargon, Johor is undervalued relative to Singapore which, if property prices remain high or go higher, will increasingly become less competitive. When the second crossing between Singapore and Johor opens later this year, the Malaysian side will be even more economically attractive (see "The Peninsula Paws Back," ASIA, INC., December 1996/January 1997).

Hong Kong's de-industrialization is due to its horrendous property prices and high wages which have meant wholesale migration of factories into southern China's Guangdong province. Without this form of economic integration — with southern China generating substantial investment income — Hong Kong's economy would now be in terrible shape.

The synergy between Singapore and Johor is even more striking than that between Hong Kong and Guangdong. Malaysia and Singapore are modern and civil societies with commendable rule of law, private ownership rights and largely transparent governments. China's Guangdong is far from that.

It is clear to me that in the future, Singapore will need Malaysia rather than the other way round, especially if Singapore's prices and wages continue to spiral upward. Malaysia's economic advancement is, and will continue to be, impressive. The traditional view of laid-back Malaysians is totally wrong. Economic integration between Singapore and Malaysia is as inevitable as that between Hong Kong and southern China, and is a powerful precondition for political reunification.

Lee Kuan Yew, as usual, is being prescient. The economics is already compelling. But whether full reunion eventually takes place will depend on political factors. Malaysia is a far more confident nation than in 1965, the year Singapore left the Malaysian federation. In my opinion, reunification is only a matter time. ■



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