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**JEL Code: O40, P5**

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## Abstract

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## 1. Introduction

Singapore and Sri Lanka have a deep diplomatic relationship that started in the 1950s. The British colonial histories of both countries resulted in new opportunities and challenges. Sri Lanka and Singapore obtained their independence in 1948 and 1965, respectively. Lee Kuan Yew[1] visited Sri Lanka for the first time in 1956 to start a diplomatic relationship; on this visit, he stated that *Ceylon*[2] has more resources and better infrastructure than Singapore (Jayaweera et al. 2003). In 1978, the late Sri Lankan president J.R. Jayewardene acknowledged Singapore's development and stated that "Sri Lanka will be successful if it is able to follow the Singapore model." During his rule as a president, J.R. Jayawardena was able to introduce open economic policies in Sri Lanka (1978–1979) that are based on Singapore's policies. In 2014, former president Mahinda Rajapaksa claimed that Sri Lanka cannot attain development using the "Singapore model" because of the contrasting scales of the two countries, that is, Singapore is a city state whereas Sri Lanka is an island nation. This political history created an interesting arena that we can deeply explore by concentrating on the economies of both countries.

[1]Lee Kuan Yew was the first prime minister of Singapore and the force behind Singapore's independence from Malaysia. His pioneer role in politics and fight for freedom gave him the recognition as "the founding father of modern Singapore.".

[2] "*Ceylon"* was the former name for Sri Lanka.

In the 1980s, Singapore was described as “the world’s most successful economy” (Lim 1983) and regarded as “the most successful of East Asia’s ‘four tigers,’”[3] which include South Korea, Hong Kong, and Taiwan (Giordano and Kato 1993). Singapore's real gross national product increased by thirteen folds between 1960 and 1992. Singapore’s economic growth increased from being the 33rd highest in per capita income in 1965 to rank 17th in 1992, placing the country ahead of Spain, New Zealand, and Ireland (World Bank 1994). Manufactured exports were the engines of Singapore's economic growth from 1970 to 1979. The proportion of direct manufactured exports to GDP increased from 7% to 12% in 1966 to almost half in 1979 and nearly three-fifths in 1992; after 1967, direct exports of manufactures grew considerably faster than manufactured output (Huff 1995). Lee Kuan Yew, the founding father of modern Singapore, played a huge role in its economic development. Lee became the prime minister of Singapore in 1959 and served for three decades until he stepped down in 1990. The per capita income of the city-state increased by a factor of 29 and rose from around $428 to more than $12,766, which is equivalent to a 30-fold increase. In 2014, Singapore’s per capita reached $56,287, which is equivalent to a 132-fold increase in 65 years. By contrast, Sri Lanka only managed a three-fold increase from $144 to around $472; Sri Lanka’s per capita in 2014 reached $631, which is equivalent to a 25-fold increase in the same time period.[4]

Both countries were British colonies for nearly 150 years. Both countries inherited British systems in many aspects, such as social and economic, financial, health, and education sectors. Interestingly, after 67 years of its independence, Sri Lanka is still following the colonial system in producing accountants. By contrast, Singapore has moved away from the colonial system within four years of independence and showed extreme developmental improvements (Wijewardena and Yapa 1998). At present, Singapore has become one of the East Asian tigers and conveys capability of being a model to many other developing countries. By contrast, Sri Lanka is struggling with the same economic, social, and political democratic problems since its independence.

[3] East Asian ‘four tigers’ or ‘four dragons’ are recognition for South Korea, Taiwan, Hong Kong, and Singapore, because they achieved exceptional economic growth within a short period.
[4] Statistics are in current US Dollars, Data source: World Bank – World Development Indicators online database.

The applicability of the Singapore model to other economies has been debated (Lim et al. 2005; Chen 1975). Some studies suggest that the Singapore model is unique to this city state and cannot be implemented in other economies. A similar debate arose in describing the development models of the four East Asian tigers, which are impossible recreate in other developing economies. This situation raises the question of whether the Singapore model is applicable or adoptable to other countries Singapore's achievements are a result of the continuing process of integration of nation building and strategies in economic development. This study has two main objectives. First, this study attempts to reveal characteristics of Singapore's development and link such characteristics to its nation building process and economic development. Second, we explore Sri Lanka's political and economic conditions and discuss the country's long-term development goals. The development goals of Sri Lanka can be addressed by exploring general theories of development. Our aim is not only to elaborate the relevance of gaining insight into Singapore's model to facilitate Sri Lanka's development process, but we also aim to show why political decision makers fail to address the Singapore model in appropriate focal points.

The findings of this study identifies the successful story of Singapore, which compromises nation building to economic success. These findings are used to project possible policy implications for Sri Lanka to help the country achieve economic success preceded by Singapore. Based on the formation of the Singapore, this study stresses that economic success can be achieved by a colonized, multi-cultural, small country with few natural resources. Sri Lanka suffered from a traumatic civil war situation for more than three decades. Thus, the country was unable to continue new era of nation building, in addition to other reasons, such as struggle for political power, government malfunction, ethnic discrimination, and elitism-related issues. Sri Lanka's diverse economic indicators increased when the civil war ended recently.[5] This new economic era can be referred to as post-war era that suggests the country's reawakening. This era opens Sri Lanka to new opportunities and challenges and may be considered the start of a new era of economic development. Therefore, the well-planned approach of Singapore model, which was initiated with commitment, may be used as example for Sri Lanka.

[5] Civil war started in July 23, 1983 and ended in May 18, 2009.

## 2. Economic history and development of Singapore

Singapore is an island city-state located south of Malaysia, with population of around 5.69 million[6] in 2016. Singapore emerged from a small, underdeveloped nation that underwent tumultuous financial, social and political changes and transformed into the first-world metropolis. With a gross national product (GNP) per capita of less than US$320, Singapore was a third-world nation with poor infrastructure and limited capital (EDB 1990). Low-end commerce was the mainstay of Singapore’s economy. The handful of industries in the country produced only for domestic consumption, leaving no room for direct foreign investment.

The process of decolonization resulted in insecurities when Singapore formed its own government in 1959. When Singapore gained independence from Malaysia in 1965, Singaporeans were left to construct a nation with weakened social, political and economic infrastructures and scarce historical and cultural resources. At present, Singapore is one of the world’s most prosperous countries with strong international trading links. Most of this economic growth can be explained by an open trade policy that promotes production and exports, and attracts foreign capital inflow. The rapid economic growth of Singapore improved the social and economic welfare of the country (Feridum and Sissoko 2011). Singapore has a highly developed, trade-oriented market economy and has been ranked as the most open country in the world, the seventh least corrupt, most pro-business with low tax rates (14.2% of GDP), and the third highest per-capita GDP in terms of purchasing power parity (PPP). Singapore's largely corruption-free government, skilled workforce, and advanced and efficient infrastructure attracted investments from more than 3,000 multinational corporations (MNCs) from the United States, Japan, and Europe (WEF 1999; Huff 1995; Teo and Ang 2001).

[Table 1]

[6] Using data from the World Bank - World Development Indicators online database, in 2016.

Table 1 shows a few macroeconomic indicators of Singapore from 1960 to 2014. High GDP growth, export growth, and FDI helped Singapore achieve its current economic status. Government expenditure for research and development (R&D) is also significant compared with other countries. The starting point of Singapore's industrialization is similar to that of South Korea, which started with factories that produce garments, textiles, toys, wood products, and hair wigs (See appendix Figure A1).[7]

Singapore started with low-wage based labor-intensive industries and later progressed to capital and technology-intensive industries. Manufacturing became increasingly sophisticated and included computer parts, peripherals, software packages and silicon wafers. This development led to new investments, particularly in the electronics sector and product diversification, which greatly enhanced export performance despite global recession. MNCs began their R&D activities in Singapore as an extension of their successful manufacturing operations, which demonstrated their long-term confidence in Singapore. In the 1990s, companies moved up the value chain and intensified their use of technology while the service sector became an engine for growth.

***Nation-building Process***

According to David Brown, South East Asian nationalism was formed as continuum from *'ethno cultural'* to *'multicultural'* and *'civic'*. This concept of nationalism explains Burma's extreme ethnocultural nation-building and Singapore's civic nation-building approach. The nation-building approach of Singapore has two dimensions. The first aspect is building physical infrastructure and the second one refers to the construction of a national community. The nation-building project was initiated by S. Rajaratnam, C.V. Devan Nair, George Yeo and Lee Kuan Yew. This process engaged first- to third-generation politicians in nation building. According to Barr and Skrbiš (2008), nation building is intertwined and co-dependent with the development of physical infrastructure and construction of national community. Karl W. Deutsch stressed that nation building follows the architectural and mechanical model:

[7] As an another Asian trigger, South Korean industries also developed by low technological labor intensive industries (like Garments, Wigs, etc.) then moved into heavy industry (such as Ship building) and then to high technological capital intensive industries such as Semiconductors, Memory chips Automobile (see appendix Figure A1).

> "*The new roads, bridges, factories, airports and housing complexes represent thus more than merely useful utilities. They are, along with monuments built to memorialize the heroic efforts of nation builders, public display s of a successful nation–building project. The new infrastructure is a foundation for national imaginings and visibly articulates youthful enthusiasm, attempts to succeed against the odds and represents the previously inconceivable. In other words, they are the solid visible manifestations of spirit of new national community*" (Deutsch 1963).

The second dimension of nation building is the construction of a community of belonging, which is a complex process. Benedict Anderson stated that a community of belonging can be constructed with the involvement of communal and institutional bonds of belonging (Anderson 1993). Ideology and coercion are parts of the success story of Singapore. Elitism played a key role in the nation-building process of Singapore. Existing literature emphasized that 'Singapore's brand of elitism' added color to the vital elements of government proceedings. In nationalism theories, elites are considered the key animators of nationhood (Anderson 1993). Lee's idea of elitism was intended for social progress. Lee understood that a 'creative minority' is an essential aspect of attaining positive social initiatives. The elitist vision of Singapore was an effective tool of nation building because it resonated strongly with the indigenous societal vision of Singaporean Chinese communities.

The Chinese Singaporean community has strong Confucian foundation. Thus, the two main components of Lee's concept of elitism, namely, hierarchy/rationalism and education/scholarship, naturally blended with society. His idea was that the elites should progressively reform from the top, where he believed they should be above average:

> *It is they 'who ultimately decide the shape of things to come. It the above-average in any society who set the pace'* (Yew 2013, P.71)

Lee Kwan Yew strongly emphasized that the elite should not to be based on accidental factors, such as race, consanguinity or class, but only on merit. This process of elite formation mechanism was introduced as a visionary process. The Singapore Armed Forces (SAF), elite administrative service and government-linked companies (GLCs) and statutory boards were mainly involved in the formation process. These elite groups were affiliated with the prime minister's office (PMO), Ministry of Defense (MINDEF), Ministry of Education (MOE), Ministry of Finance (MOF), Ministry of Trade and Industry (MTI) and Ministry of Home affairs (MHA). Other elite groups, such as communal leadership and economic, academic and religious elites, were introduced to other ends of the nation-building exercise.

The Singaporean community was constructed through elitism backed by Singapore's version of multiracialism. Since its independence in 1965, Singapore did not attempt to synthesize ethnic differences into a new form of Singaporean ethnic identification. David Brown (1998) divided the management of ethnicity in Singapore into periods. He distinguished three periods namely, 'ethnic mosaic' from 1959–1965, 'inclusionary corporatism' from 1966–1980 and 'Asianisation' post-1980. This era is broadly discussed by scholars by highlighting ethnic roots.

***Singapore's model for economic development***

Singapore's economic transformation was primarily been driven by its twin engines of growth manufacturing, namely, finance and business services. The export-based manufacturing sector in Singapore had played a huge role in its development, similar to other East Asian tigers. The manufacturing sector is considered an economic pillar given its contribution of more than one-fifth of Singapore's gross national output since 1970. According to Moi (1998), about two-thirds of Singapore's domestic exports and the country's largest employers are covered by the manufacturing sector. Manufacturing production was highly export-oriented, as shown in the increase of directly manufactured exports (excluding petroleum) from 13.6% of GDP in 1967 to 47.1% in 1979 (Huff 1995).

According to Teo and Ang (2001), factories that produced garments, textile, toys, wood products, and hair wigs, formed the highly labor-intensive manufacturing sector of Singapore in the 1960s. In 1970s, Singapore moved to capital- and skill-intensive industries and later shifted to technology-intensive industries; in the 1990s, Singapore ventured into knowledge-driven industries. According to Huff (1995), MNCs started their R&D activities in Singapore as an extension of their successful manufacturing operations and to demonstrate their long-term confidence in Singapore. Companies moved up in the value chain in the 1990s and intensified their use of technology while the service sector served as the engine for growth. The industrial development of Singapore is similar to that of South Korea. South Korea performed well in terms of long-term economic growth and became one of Asian tigers that overcame the middle income-trap (Lee 2013). In the late 1960s, the labor-intensive apparel (T&C) industry was the biggest export industry in Korea, but this sector started to decline in the 1970s. The Korean economy introduced the electric equipment industry in the mid-1960s and the automobile industry in the mid-1980s (see Appendix, Figure A1). Pillay (2004) offered the following explanation of the Singaporean economy:

> *"On the economic side, the problem was essentially an existential one-employment and growth. It was tackled by attracting enough factors of production, that is, resources of capital, manpower, and technical and managerial know-how. Also land – think of Jurong (massive industrial estate created in on the western end of the island in the 1960s)…Management and technical know-how, as well as markets, could be acquired through joint-ventures with MNCs."* (Pillay 2004, p.10)

According to UNCTAD-WIR (2012), Singapore benefited from the inward flow of FDI from global investors and institutions because of a highly attractive investment climate and a stable political environment. Singapore is considered the financier of major FDI outflow around the world. The high savings ratio of Singapore is another key point of its development (Balassa 1977; Huff 1995). The MIT of Singapore indicate that R&D is a key strategy of Singapore's future. According to data from the MIT (2011), government investment into R&D has grown more than eight times over the last two decades, from $2 billion for the first five-year National Technology Plan from 1991 to 1995 to $16.1 billion for the recently announced Research, Innovation and Enterprise Plan (2011–2015). In 2006, the government allocated more than $13 billion to promote R&D over the next five years as part of its goal of increasing gross expenditure on R&D (GERD) from 2.25% to 3% of GDP (Huff 1995).

The physical location of Singapore is a main force behind its economic development. The country's strategic location, city-state status, and natural harbor highly facilitated its fast development. Young (1992), Hilton and Sarah (1995), and Frost (2008) indicated that Singapore's geographical situation astride the world's main east–west communications routes, thereby bridging the time zone gap in New York, London, Hong Kong, and Tokyo. Furthermore, 40% of world maritime trade passes through the Singapore harbor.

Moreover, Lee Kwan Yew's strong political and economic development policies highly influenced Singapore's development. First, Lee attracted foreign trade and investments through government intervention. Huff (1995) and Findlay and Wellisz (1993) emphasized that government interventions were major features of the Singapore model of economic development, wherein the government controls wages and labor. They indicated that the state played a central role in the development of Singapore. The government adopted pro-foreign investment and export-oriented economic policy to promote growth and development in Singapore (Feridum and Sissoko 2011; Huff 1995). The government was small, efficient and honest. Singapore has low crime and virtually no official corruption. Singapore ranks high in terms of human development indicators, such as life expectancy, infant mortality and income per person. Life expectancy in Singapore is one of the longest around the world.

Ethnic diversity and equal treatment of minorities were the major concerns of Singapore after gaining independence. Subramanian and Roy (2001) introduced the case of Mauritius and emphasized the importance of ethnic diversity on economic growth. Singapore consists of diverse ethnic groups, namely, Chinese (about 74%), which comprise the majority, and substantial minorities, such as Malays (13%) and Indians (9%) who acquired a national identity. When Lee introduced these groups, the crowd celebrated improbable patriotism instead of mourning. Lee declared English as the national language of Singapore to balance conditions for majority and minority people in the country.

Singapore is a unique case that centralized attention on its economic accomplishments in infrastructure and planning. The economic growth of Singapore is supported by its housing infrastructure and urban planning. The main infrastructure provider of Singapore was the government. The most modern and efficient infrastructures were constructed, which include ports, airports, telecommunications, roads, and a rapid transit system. This development provided a subsidy for business in Singapore, which reduced expenses for operations within the country and for reaching world markets, which is called 'distance costs' (Helleiner 1973). Sandilands (1992) explained that domestic capital resources were mobilized for economic development when the government controlled savings to invest in infrastructure and housing.

The plurality of the Singaporean society was clearly addressed in the country's urban planning and design, which reduced the ethnic problems of the government. Equal opportunities were given and the entire ethnic heritage was conserved and valued for greater purpose. Housing plans were drawn with the objective of retaining and enhancing existing activities that are part of the historical and cultural heritage. The aim of this approach was to restore buildings with historical and architectural significance, improve the general physical environment, retain traditional trades while consolidating new areas, introduce new features to enhance the identity of the place and involve public and private sectors in carrying out conservation projects. [8] According to the annual report of the Urban Redevelopment Authority (URA) (1988/89), conservation efforts primarily targeted historic places and districts associated with particular ethnic groups, such as Peranakan Place, Chinatown, Kampong Glam, and Little India. The city's colonial heritage was not neglected to preserve the multi-cultural heritage of indigenous and immigrant groups.

[8] A Manual for Kampong Glam Conservation Area, 1988, p. 26; A Manual for Chinatown Conservation Area, 1988, p. 46; A Manual for Little India Conservation Area, 1988, p. 27

## 3. History and Economic Development of Sri Lanka

Sri Lanka,[9] which is a resplendent island located at the southeast tip of India, has a population of approximately 21 million. The vast majority of the population is Sinhalese (72%), 18% of the population is Tamil,[10] 8% is Muslim,[11] and 2% comprises other ethnicities. Sri Lanka was colonized by three governments. The Portuguese occupied Sri Lanka in the 16th century (1505), the Dutch then displaced the Portuguese in the 17th century (1776), and finally, the British took control of the country in the beginning of the 19th century (in 1886). Sri Lanka regained its freedom in 1948. The Socialist Democratic Republic of Sri Lanka post-independence was governed by two major political parties, namely, United National Party (UNP) and Sri Lanka Freedom Party (SLFP).

Sri Lanka suffered from a civil war against government troops and the Liberation Tamil Tiger Ealam (LTTE), a terrorist group that represented Sri Lankan Tamils. When the country gained independence, problems emerged over ethnic rights among Sinhalese and Tamils, and government failed to offer a stable solution. Disagreements led to a civil war in the 1970s that lasted for three decades until the LTTE was destroyed by government forces in 2009. Sri Lanka's economic history can be divided into three major eras, namely, the colonial era (1505–1948), post-colonial era (1949–2013), and post-war era (after 2009).

### *Colonial to Post-colonial era*

The British introduced plantation economy to Sri Lanka during the colonial era. Coffee was first introduced then tea was incorporated into the highlands. Crop agriculture then revolutionized the Sri Lankan economy. During this era, Indian Tamil plantation workers were introduced to Sri Lanka, who now comprises 6% of the total population and the vast majority of Nuwara–Eliya in Central Sri Lanka (Wijetunga and Sung 2015). By the end of the 19th century, rubber plantations were developed as an additional source of export earnings. Later, cinnamon, rubber and Ceylon tea became main the produce and national exports of the country. Rice and coconuts were produced primarily for the domestic market.

[9] Sri Lanka was known as *Ceylon* under British colonial government before its independence in 1948.
[10] Descendants of the ancient migration from South India (around 100 B.C.), or the more recent importation of laborers for the tea plantations by the British in the 19th century.
[11] They are called the Moors,

Sri Lanka gained independence from the British in 1948. In the past, Sri Lankan economy was heavily based on the labor-intensive agriculture. In 1960, agriculture comprised 32% of the Sri Lankan GDP, which then declined to 10% in 2014. The country is rich in mineral resources, such as clay, gems, graphite, limestone, mineral sands, and phosphate rock. At present, Sri Lanka's main export-earning industry is textile and clothing (T&C). After introducing export processing zones (EPZs) in the 1970s, the T&C industry became the largest export-earning industry in Sri Lankan since 1986. T&C is also the country's largest net foreign exchange earner since 1992. The total value of export earnings in the sector was 2,424 million US dollars, which account for 52% of the total export earnings in 2002. The contribution to GDP was 5.3% in 2002 (Dheerasinghe 2003).Today, in Sri Lanka's T&C export share is over 80% of total exports and the largest export-oriented manufacturing industry in the country.

Sri Lanka is a lower-middle income developing nation with a GDP of about $32 billion. In terms of economic situation, the country's economic growth averaged at around 4.5% because of the civil war that broke out in 1983. Year 2001 was significant because GDP growth reached negative 1.4%, which was the only contraction since the country's independence. GDP increased by 6.8% in 2007, which was a decrease from the 7.7% growth in 2006. Sri Lanka's key exports, such as garments and tea, performed well. The service sector is the largest component of GDP at around 58% in 2014 (Figure 1). The t industry is the biggest service industry that brings foreign currencies to Sri Lanka. Moreover, the country's growing information technology sector, especially information technology training and software development, are important service sectors. The industrial sector remained at 32% and the agricultural sector remained at 10%.

Foreign migrant workers and their remittances have a significant impact on Sri Lankan economy. This group is composed of around two million Sri Lankans working abroad and remitting money to Sri Lanka. This amount comprises 10% of the total population and is the second largest contributor of foreign exchange earnings in Sri Lanka.

[Figure 1]

*Recent economic development in Sri Lanka*

The economic growth of Sri Lanka is among the fastest in South Asia in recent years, with a growth average of 6.3% between 2002 and 2013 and GDP per capita increase from US$583 in 1961 to US$3638 in 2015.[12] Growth during the past five years has been in the form of peace dividend that resulted from reconstruction efforts and increased consumption. Post-war Sri Lanka is dependent on the service sector, primarily the tourism sector. According to the tourism officials of the country, tourist arrivals increased by 50% or an increase to 160,000 in the first quarter of 2010 from 106,000 in 2009. Tourists are flooding back by 50% this past year, and hotel tariffs are three times their rates during wartime. The only international hotel chain in downtown Colombo was Hilton, but after the civil war, Shangri-La, Marriott and Hyatt started their investments in Sri Lanka. Southern Sri Lanka neglected sustainable development projects during the war, but this is changing because of development projects run by the Chinese government.

According to the analysis of annual GDP growth, exports, foreign direct investments and R&D increased significantly after the civil war in Sri Lanka, especially GDP and exports (Table 2). However, R&D expenditure remains low at 0.16 %. Lee (2013) and Lee and Kim (2009) emphasized that growth in education and R&D is a necessary condition for developing countries to enable them to move up in the technological cycle, which many developing countries are unable to achieve. According to the Ramanayake and Lee (2015), export growth is the key international integration variable of economic growth in South and North.

[Table 2]

When we compare Sri Lanka and Singapore in terms of income level (GDP per capita), Figure 2 indicates that the GDP per capita in 1960 was almost similar between Sri Lanka and Singapore. However, Singapore's income level started to increase in the 1970s after their independence. Sri Lanka became independent in 1948, but they are still considered a lower-middle income country.

[12] According to World Bank- World Development Indicators data

Singapore occupied a peculiar niche among the other developing nations, whereas Sri Lanka was left far behind. The per capita growth rate of Sri Lanka started to increase rapidly since 2009, given the post-war development process. The GDP per capita growth rate of Sri Lanka in 2009 was 2.8%, 7.2% in 2010, and 8.3% in 2012. This growth started to decline in 2013, which reached 2.6%, but increased again to 3.8% in 2015.[13] Figure 2 shows the GDP per capita in Singapore and Sri Lanka from 1960 to 2015. This figure indicates the rapid economic growth of Singapore and the stagnation of Sri Lankan economy.

[Figure 2]

## 4. Why Sri Lanka failed?

Sri Lankan governments post independence failed to implement a proper vision of Sri Lankan economic development. When Singapore initiated its first ‘nation building’ movement, the government and society failed to blend into this new strategic plan. South Korea also implemented ‘five years plans’ during its catching-up period (late 1960s), which was initiated by President Park. Sri Lankan governments proposed their political ideologies to gain civilian votes instead of strategically planning the future of its economic development. Two major political parties that share political power in governing country failed to uplift the economy of the nation. Sri Lanka has a two-party system. Thus, attaining electoral success for one party is difficult. After independence, the United National Party and Sri Lanka Freedom Party ruled the country and represented two major streams of political powers. Other major concern is the areas where the majority Tamils live are dominated by Tamil parties. This racially centered parties and their power race pushed aside certain development initiatives that the country should implement as a whole.

[13] GDP per capita growth data is taken form World Bank, World Development Indicators online data base

Elites in Singapore played a vital role in its nation-building process and economic succession. Singaporean and Sri Lankan elites do not considerably differ in terms of origin. However, their roles in the country's socio-political arena significantly differ. Lee Kuan Yew represents Singaporean elites, wherein majority were Chinese Singaporeans. As an eldest son born into an elite English-speaking Chinese family, he was surrounded by considerable comfort. He was educated in elite institutions (Raffles Institution of Singapore) and later in Cambridge Law School in England. His presence in the government enabled the country to secure ethnic minority rights, thereby establishing English as the national language and securing civic economic development. S.W.R.D. Bandaranayake was elite who became the prime minister of Sri Lanka. He was educated in elite schools in Sri Lanka and later studied in Oxford University. After gaining political power, he initiated the 'Sinhalese Nationalism' movement and established Sinhalese as the national language and neglected ethnic minorities. This approach is a great example of how and why Sri Lankan elite ideologies affected the down fall of a rising nation and its current economic situation.

Corruption among politicians was a major phenomenon in Sri Lanka, similar to the rest of South Asia. Corruption led to too many trust issues between political elites and peasants. By contrast, Singapore was one of the most non-corrupt countries in the world for decades, as shown in the corruption perception index (CPI) score published by Transparency International in 2016. Sri Lanka ranked among corrupt nations along with other South Asian counterparts. Corruption was committed in the government by ministers, politicians and government organizations. This practice distances the general public from the government thereby resulting in trust and reliability issues.

> *"Lee's concept of 'the elite' became central to the operation of the Singapore system. It grew in his mind into a self-conscious, self-righteous class of talented and brilliant people with strong character, who are imbued with a collective sense of purpose and a consciously collective understanding of the thinking of the group."* (Barr and Skrbis 2008, p.58)

Education reforms in Singapore produced the ‘Singapore version of elites.’ This well-educated civilians were awarded with scholarships to enable them to pursue their higher studies in elite universities or abroad and give them opportunities to join the government. Singapore is one of the least brain-draining countries in the world. By contrast, Sri Lanka follows the British system after independence, which clearly collides with the present need of the country. The Sri Lankan government is still struggling to allocate sufficient amount of money for education and R&D. Recent education activism was able to safeguard 6% or lower for education as a portion of GDP. By contrast, Singapore focuses on high technology and R&D in every essential field. Singapore introduced many educational and research facilities, which benefited the economy and society. Sri Lanka focused on R&D only recently. Sri Lanka requires additional facilities, create new products, and acquire patents on products and systems.

Singapore and Sri Lanka are both multiethnic societies. However, Singapore has managed to establish a stable political arena with less ethnic conflicts and discrimination. The concepts of the nation-building program of Singapore was involved heavily on this matter. Singapore’s success is mainly due to its conflict-free history after independence, which was a result of government policies and planning. The government created equal rights for all citizens and encouraged Singaporeans to accept each other. Singapore’s main success on multiracialism is attributed to the existence of Singaporeans and other ethnicities.

Therefore, Singaporean Chinese, Singaporean Indian, Singaporean Muslim and Singaporean others exist together. In Sri Lanka, ethnicity of a group comes first rather than nationality. Conflicts are common among majority Sinhalese population and Tamils and Muslims. The government should end this racial segregation. Instead of separating Sri Lankan Tamils and Indian Tamils, they should be introduced by addressing them as Sri Lankan Tamils and Sri Lankan Indians. Moreover, the government should implement rights to safeguard ethnic heritage of all ethnic groups.

## 5. Summary and conclusion

Singapore's development is a visionary process. Nation building and the *Singapore model* of economic development played a significant role in achieving the country's development goals. Nation building in Singapore contains two dimensions. The first dimension involves building physical infrastructure and second dimension refers to the construction of a national community of belonging. The process was driven by three major points: government's ownership of the nation-building process, micro management of everyday life, and the role played by the elites. Lee Kwan Yew's, 'Singapore version' of elitism was not based on such accidental factors as race, consanguinity or class, but purely only on merit. The Singapore community was constructed through elitism backed by the Singapore version of multiracialism. Singapore's physical location, political democracy, anti-corruption, education reforms and research and development (R&D) are behind the country's economic development. Political democracy is maintained by promoting a plural society with equal treatment of minorities.

Sri Lanka suffered from a civil war that lasted for 30 years after gaining independence. Political leadership in the country was unstable, the government was corrupt, and political interference was high on peasants. Ethnic minority rights were neglected or violated in many political agendas. Sri Lanka needs a visionary process of (re)nation building after the civil war, which damaged every aspect of country's economy and economic development. The country should concentrate on policies that safeguard political democracy, ethnic minority rights, R&D, manufacturing sector investments, and increased benefits for FDI. FDI is the main knowledge-transferring engine, particularly for modern science and technological know-how, which is rare and necessary in most developing countries, including Sri Lanka. Proper educational reforms should be introduced, which played a key role in Singapore's path to economic development. To overcome economic stagnation, Sri Lanka should concentrate on developing small and medium entrepreneurs (SMEs). The country should first build the chain of SMEs with sufficient technological knowhow, which can then develop into high technological big industries from which Singapore gained economic stability.

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## Tables and Figures

Table 1: Selected macroeconomic indicators of Sri Lanka, 1960–2014 (%)

| Indicators | 1960~1969 | 1970~1979 | 1980~1989 | 1990~1999 | 2000~2009 | 2010~2014 |
|---|---|---|---|---|---|---|
| GDP growth (annual %) | 8.85 | 9.47 | 7.79 | 7.30 | 5.28 | 6.44 |
| Exports of goods and services (annual % growth) | n.a | 14.90 | 11.59 | 11.01 | 8.10 | 6.31 |
| Foreign direct investment, net inflows (% of GDP) | n.a | 5.57 | 9.57 | 11.33 | 15.62 | 20.73 |
| Research and development expenditure (% of GDP) | n.a | n.a | n.a | 1.59 | 2.18 | 2.13 |

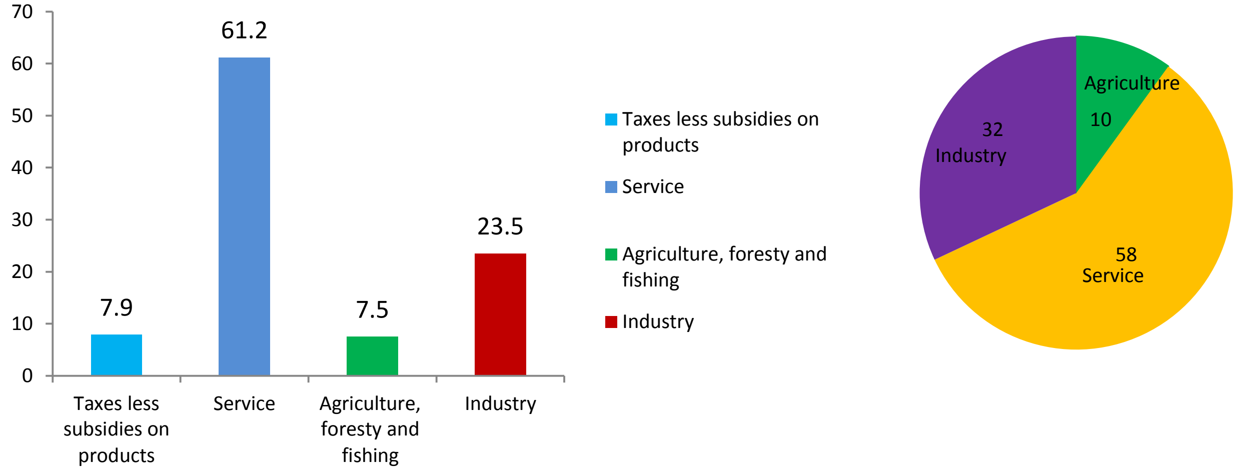
*Source: Period average data: using annual data from World Bank – WDI calculated by the authors (*n.a = not available)*

Table 2: Sri Lanka macroeconomic indicators, 1960–2014 (%)

| Indicators | 1960—1969 | 1970—1979 | 1980—1989 | 1990—1999 | 2000—2009 | 2010—2014 |
|---|---|---|---|---|---|---|
| GDP growth (annual %) | 4.67 | 4.23 | 4.15 | 5.26 | 5.00 | 7.44 |
| Exports of goods and services (annual % growth) | 1.32 | 1.92 | 6.26 | 6.99 | 3.60 | 6.46 |
| Foreign direct investment, net inflows (% of GDP) | n.a | 0.15 | 0.75 | 1.21 | 1.31 | 1.38 |
| Research and development expenditure (% of GDP) | n.a | n.a | n.a | 0.18 | 0.15 | 0.16 |

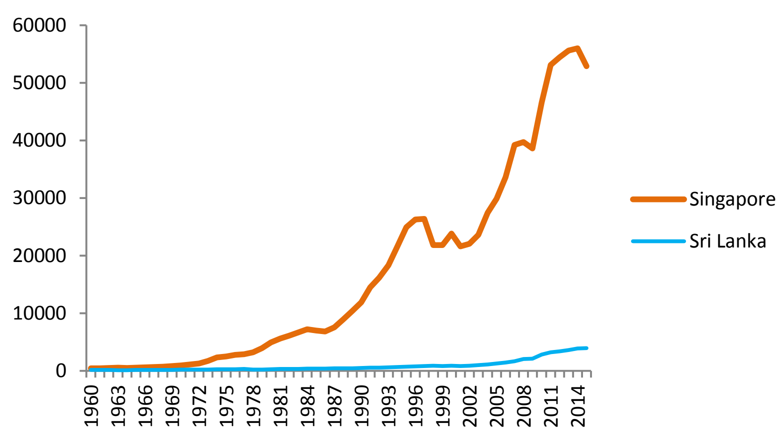
*Source: Period average data: using annual data from World Bank –WDI calculated by the authors (*n.a = not available)*

Figure 1: Sectorial Behaviors in Sri Lanka (2015)




*Sources: Using data from Department of Census and Statistics (2nd Quarter of 2015) and Central Bank of Sri Lanka (2014) created by the authors.*

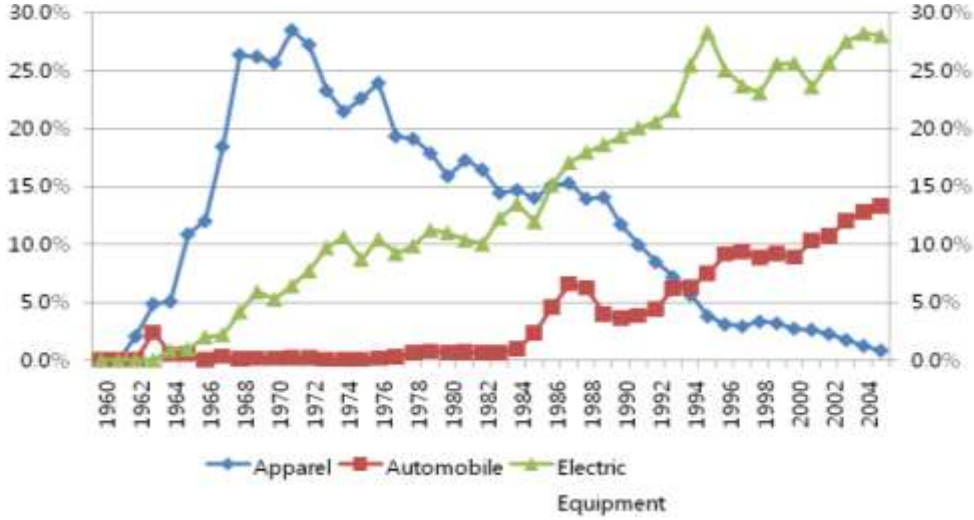
Figure 2: GDP per capita in Singapore and Sri Lanka from 1960-2014




*Source: using World Bank- WDI data created by the authors*

## Appendix

Figure A1: Changing trend in the Composition of Major Export Items in South Korea




*Source: Lee (2009), (% in total Exports)*