

**IPS Book Launch:
*INTRACO – Blazing a Trail Overseas for Singapore?***

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On 13 April 2015, the Institute of Policy Studies (IPS) held a book launch for *INTRACO – Blazing a Trail Overseas for Singapore?*. Written by IPS Research Fellow Dr Faizal Bin Yahya, the book tracks the development of the International Trading Company (INTRACO), a former government-linked trading company, from its creation in 1968 during the early days of Singapore's independence to the time it was fully divested by the Singapore Government in 2003. More than 40 people, including former staff of INTRACO, attended the event, which was moderated by Ambassador Ong Keng Yong, Executive Deputy Chairman of the S. Rajaratnam School of International Studies.

In his opening remarks, Ambassador Ong said that he suggested the book project to examine the formation of INTRACO and its achievements in 2011 when he was still the director of IPS. He was drawn to INTRACO because very few people knew about the company despite the fact that numerous high-profile civil servants were associated with it. The end-result, he said, was a book that shed some light on how Singapore became a vibrant and thriving economic outpost.

The Guest of Honour for the event, Mr J Y Pillay, Adjunct Professor at the Lee Kuan Yew School of Public Policy, congratulated Dr Faizal for producing an “interesting and informative” book. While not directly involved with INTRACO, Mr Pillay was among the generation of pioneer civil servants who built the Singapore economy after its separation from Malaysia. He recalled that among the three entities set up by the Singapore Government in 1968 — the Development Bank of Singapore, the Jurong Town Corporation and INTRACO — then-Finance Minister Dr Goh Keng Swee remarked that INTRACO had the toughest mandate to fulfill. Mr Pillay said INTRACO's journey turned out to be just as “complex, difficult and challenging” as Dr Goh had envisaged.

Dr Faizal said that putting the book together was challenging particularly because a fire at one of INTRACO's warehouses had destroyed most of the company's archives. When he began researching INTRACO in 2011, he had to rely on the information he gathered from the company's annual reports, newsletters, photographs and interviews with present and past staff of INTRACO to piece the puzzle together. After INTRACO was divested in 2003, it was bought by a Singapore Exchange-listed company. Today, INTRACO still exists and its core business segments are the trading of plastics and telecommunications infrastructure, and the supply and installation of niche specialised building-related products.

National Role of INTRACO

Mr Pillay pointed out that while the Singapore Government had created state-owned enterprises to spur Singapore's early industrialisation, it was "non-ideological" in its approach towards these enterprises. "The concept of the development state, applied to the corporate sector, did not exist in Singapore. Not in the sense of the Government generating a slew of Government-linked Companies (GLCs) run by the State and propped up willy-nilly by it," he said. He added that the government's role was to create the conditions that delivered economic and political stability, which would open the way for the commercial sector to deliver the goods.

A participant said that Dr Goh always had long-term strategic plans for the projects he introduced. This applied to INTRACO as well. Hence, while INTRACO did act as a primary vehicle for trade with communist-bloc countries in an era of geopolitical instability, INTRACO also ensured that Singapore could secure access to goods it would need for nation-building from a variety of suppliers.

Other participants cited INTRACO's role in creating a national rice stockpile. Prior to the creation of a national rice stockpile, pockets of stockpiles resided within the private sector. INTRACO was tasked by Dr Goh to consolidate and centralise the stockpiles, shifting it under the purview of the public sector. The company also helped diversify the sources of rice import which then originated mainly from China and Thailand. This "national service" function — as Dr Faizal termed it in the book — helped stabilise the prices of rice in the 1960s and enabled the country to build up a rice stockpile that could last for at least two months.

INTRACO's Initial Success and Subsequent Decline

A former employee of INTRACO said that in its heyday during the 1970s and 1980s, the company was a very different animal, run by a capable management team. Although it was a smaller company then, INTRACO developed a solid business and was a thriving company. Foreign companies that looked to start their business in Singapore would engage INTRACO as their local agent. He cited the strategic vision, leadership and direction provided by the management as factors that made a difference.

The focus of the discussion then turned to INTRACO's failure to sustain its business and its eventual divestment as a GLC. "Did INTRACO fail because of an ideological decision by the government that it should not be involved in a state trading company or did it die because its business model could not withstand the prevailing market forces?" asked a participant. The general sentiment in the room was that both factors contributed to INTRACO's failure.

Another participant stated that even after its peak, INTRACO was a reputable brand trusted internationally, and was even referred by the Japanese as a Singapore *Sogo Shosha*. *Sogo Shoshas* are Japanese general trading companies characterised by colossal sales turnover, diversity of goods traded and a global business network (e.g., Mitsubishi Corporation, Itochu, Sumitomo Corporation). It also had a team of veteran traders who had built up a network of contacts across the world, a crucial asset for a pure trading company that had few physical assets. However, according to several of the participants, over the years there was a gradual

shift away from risk-taking and the original strategic focus on overseas markets. In addition, INTRACO was slow in introducing supply chain reforms to rediscover its value proposition having since lost its competitive advantage in its access to less-open markets, as the world became increasingly globalised and open. This, coupled with the mass exodus of talent from the company, crippled a promising state trading company and led to its divestment as a GLC, said the participants. However, one former senior INTRACO executive pointed out that the fact that several parties expressed interest in owning INTRACO during the divestment hinted that the company must have retained some hidden value.

Lessons from INTRACO

Although INTRACO is no longer the trading behemoth it used to be, it is an important part of independent Singapore's economic history and there are lessons to be drawn from its experience. Referring to the late Mr S. Rajaratnam's warning that "Singaporeans should not become a people who know the price of everything but the value of nothing", a participant said that in today's global environment where knowledge is the competitive element, Singapore, including the government, should endeavour to preserve the knowledge it has accumulated through its local companies.

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