

Muted impact expected on business confidence But reliance on foreign labour may face further scrutiny

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Singapore's reliance on foreign labour will inevitably come under more scrutiny after Sunday night's riot, but observers say that it is not likely - nor is it desirable - for the government to further tighten the inflow of foreign workers as a result. The incident, if one-off, is also unlikely to shake business confidence in Singapore - although the perception of risk may inch up a notch and the government response would be watched closely.

These views came a day after a 400-strong mob of mostly South Asian nationals set vehicles alight and hurled glass bottles at police and rescue officers following a traffic accident at Little India on Sunday night in which a private bus had knocked over and killed a 33-year-old Indian national.

The riot, the first here in four decades, shocked Singaporeans and led Prime Minister Lee Hsien Loong yesterday to direct the Ministry of Home Affairs (MHA) to convene a Committee of Inquiry (COI), which will look into the factors that led to the unrest and how the incident was handled on the ground.

"It will also review the current measures to manage areas where foreign workers congregate, whether they are adequate, and how they can be improved. MHA will provide more details when ready," said a press statement from the Prime Minister's Office.

Second Minister for Home Affairs and Trade & Industry S Iswaran also announced there would be a complete ban on the sale and consumption of alcohol in the Race Course Road area, where the riot broke out, this coming weekend.

The official response so far is in keeping with what academics and economists expect - and what business leaders are hoping for.

"The response from the government will be more towards the softer side of things - revising rules about congregation, addressing alcohol distribution laws - rather than tweaking the number of foreigners coming in," said Barclays economist Joey Chew.

While DBS economist Irvin Seah believes that the government will face even greater pressure to tighten its foreign labour policies further, he said: "I don't think policymakers will, and I don't think they should."

"From an economist's perspective . . . there is just no economic justification for the further tightening of foreign labour policy to address what is essentially a (case of) social unrest, especially if it's just a one-off affair."

Top business leaders, such as Keppel Offshore & Marine chief executive Tong Chong Heong, also emphasised that the riot should not be used as a reason for more curbs on foreign labour.

Roger Chia, chairman and managing director of oil and gas contractor Rotary Engineering, added that further clampdowns would inflate business costs and negatively affect economic growth.

But Zainudin Nordin, chairman of the Government Parliamentary Committee for Manpower, while cautioning against "any knee-jerk reactions" to the incident, noted that it is "still too premature to comment if there will be any impact on the foreign manpower policy due to the riot".

Most of the observers BT spoke to chose to view Sunday's lawlessness as a one-off isolated incident. They said the material impact on investor and business confidence is likely to be slight, but risk perceptions could increase in the short run.

Said CIMB economist Song Seng Wun: "It's important to take this in context - this hasn't happened in about 40 years. If you look at any investor's checklist when they're thinking of investing in Singapore, no one really questions the government's ability to maintain law and order, because it's seen as a given."

Added chief executive officer of Voyage Research, Roger Tan: "Ultimately, we are still considered one of the safer countries within the region. So while this (unrest) might have added to the perception of risk, I don't think it will translate to an actual risk premium."

Still, others underscored the importance of the government response when it comes to upholding levels of business confidence.

Member of Parliament Inderjit Singh said that the government must act decisively. "The government must act swiftly to take action against the perpetrators so that this will deter such incidences from happening again. Otherwise it can cast a doubt over our stability and affect business confidence."

Beyond tough action, a close look may be needed at the issues that may lie beneath the surface.

Nominated Member of Parliament Eugene Tan highlighted the need to "understand (the) root causes of (the) workers' strong reaction to the accident".

Said Gillian Koh, senior research fellow at the Institute of Policy Studies: "The emphasis from here on should likely be on the social aspects such as integration, cultural awareness and assimilation, rather than the manpower policy specifically, as was the case in the aftermath of the SMRT China bus drivers' strike last year."

The Singapore Police Force has classified Sunday night's unrest as a case of rioting with dangerous weapons, and has arrested 28 people. The traffic accident which sparked the riot, on the other hand, has been categorised as "causing death by (a) negligent act". The 55-year-old Singaporean bus driver has been arrested and is out on bail; he is assisting police with investigations.