No. 166

Singapore's Sovereign Wealth Funds: The Political Risk of Overseas Investments

Friedrich Wu

S. Rajaratnam School of International Studies

Singapore

18 September 2008

With Compliments

The S. Rajaratnam School of International Studies (RSIS) was established in January 2007 as an autonomous School within the Nanyang Technological University. RSIS's mission is to be a leading research and graduate teaching institution in strategic and international affairs in the Asia Pacific. To accomplish this mission, it will:

- Provide a rigorous professional graduate education in international affairs with a strong practical and area emphasis

- Conduct policy-relevant research in national security, defence and strategic studies, diplomacy and international relations

- Collaborate with like-minded schools of international affairs to form a global network of excellence

Graduate Education in International Affairs

RSIS offers an exacting graduate education in international affairs, taught by an international faculty of leading thinkers and practitioners. The teaching programme consists of the Master of Science (MSc) degrees in Strategic Studies, International Relations, International Political Economy, and Asian Studies as well as an MBA in International Studies taught jointly with the Nanyang Business School. The education provided is distinguished by its focus on the Asia Pacific, the professional practice of international affairs, and the emphasis on academic depth. Over 150 students, the majority from abroad, are enrolled with the School. A small and select Ph.D. programme caters to advanced students whose interests match those of specific faculty members.

Research

RSIS research is conducted by five constituent Institutes and Centres: the Institute of Defence and Strategic Studies (IDSS, founded 1996), the International Centre for Political Violence and Terrorism Research (ICPVTR, 2002), the Centre of Excellence for National Security (CENS, 2006), the Centre for Non-Traditional Security Studies (2008), and the soon-to-be launched Temasek Foundation Centre for Trade and Negotiations. The focus of research is on issues relating to the security and stability of the Asia-Pacific region and their implications for Singapore and other countries in the region. The School has three professorships that bring distinguished scholars and practitioners to teach and to do research at the School. They are the S. Rajaratnam Professorship in Strategic Studies, the Ngee Ann Kongsi Professorship in International Relations, and the NTUC Professorship in International Economic Relations.

International Collaboration

Collaboration with other professional schools of international affairs to form a global network of excellence is a RSIS priority. RSIS will initiate links with other like-minded schools so as to enrich its research and teaching activities as well as adopt the best practices of successful schools.

ABSTRACT

This paper seeks to examine Singapore's two sovereign wealth funds (SWFs)—the Government Investment Corporation of Singapore (GIC) and Temasek Holdings (Temasek)—and the political risks which they are exposed to in their overseas investments. We argue that Temasek has hitherto exposed itself to a greater level of political risk than GIC, but is in turn rewarded with a higher rate of returns on its investments. At the same time, we find that political risk is an inevitable challenge for SWFs in general. In fact, as worldwide opinion has turned towards demanding for greater transparency and accountability from SWFs, the political risks faced by SWFs have correspondingly risen. This paper seeks to throw some light on this issue by undertaking a case study of Singapore's two SWFs, which are consistently ranked among the global top 10 SWFs by assets, and have attracted much worldwide attention in recent times as a result of some of their politically-controversial overseas investments.

****

Dr. Friedrich Wu is Adjunct Associate Professor at the S. Rajaratnam School of International Studies of the Nanyang Technological University, Singapore. He is concurrently a (non-resident) Senior Research Associate at the East Asian Institute of the National University of Singapore. He was a former Economics Director at Singapore's Ministry of Trade & Industry, and a Vice President/Head of Economic Research at DBS Bank, the largest banking group in Southeast Asia.

Singapore's Sovereign Wealth Funds: The Political Risk of Overseas Investments

Introduction

This paper seeks to examine Singapore's two sovereign wealth funds (SWFs)--the Government Investment Corporation of Singapore (GIC) and Temasek Holdings (Temasek)--and the political risks which they are exposed to in their overseas investments. We argue that Temasek has hitherto exposed itself to a greater level of political risk than GIC, but is in turn rewarded with a higher rate of returns on its investments. At the same time, we find that political risk is an inevitable challenge for SWFs in general. In fact, as worldwide opinion has turned towards demanding for greater transparency and accountability from SWFs, the political risks faced by SWFs have correspondingly risen.[1] This paper seeks to throw some light on this issue by undertaking a case study of Singapore's two SWFs which are among the world's largest and most active SWFs in offshore investments.

Organizationally, this paper will be divided into three broad sections. The first part will briefly examine the emerging phenomenon of SWFs. The second part will assess in-depth some of the overseas investments by GIC and Temasek, and the political risks they have encountered. The third part will survey broadly some of the political-risk-reduction strategies recently adopted by GIC and Temasek in the wake of increasing calls for transparency by the international community.

The Sovereign Wealth Funds (SWFs) Phenomenon

Given the fairly recent international attention directed at SWFs, it is not surprising that no standard definition for SWFs exists. Generally, SWFs are noted to have two key defining features: government ownership and control; as well as the key objective to seek higher risk-adjusted returns on investments. SWFs are commonly classified by their resource origins--

[1] For general discussions of political risk, see Ian Bremmer, "Managing Risk in an Unstable World," *Harvard Business Review* (June 2005), 51-60; Heide Deringer & Jennifer Wang, "Note on Political Risk Analysis," Harvard Business School, unpublished paper (September 1997), 1-12.

commodity and non-commodity funds—with the majority of the world's SWFs belonging to the former.[2]

While the term SWFs is fairly new, the phenomenon of SWFs is not. The first SWF, by Kuwait, was established in 1953. Among the 20 largest SWFs identified in Standard Chartered's 2007 report, seven were established before 1990.[3] Deutsche Bank has also noted that the proliferation of SWFs had reached about 40 in 2007.[4] Three key factors can be cited for fuelling the growing size and number of SWFs. Firstly, high commodity prices have produced windfalls for Gulf economies and other oil-exporting countries like Norway and Russia. Secondly, global payment imbalances have resulted in Asian-exporting countries accumulating huge trade surpluses. Lastly, financial globalization has made the concept of SWFs attractive to governments by diversifying access to investment options and venues that may yield higher returns on government funds.[5]

Table 1: World's Eight Largest Sovereign Wealth Funds, December 2007

Country	**Fund Name**	**Launch Year**	**US$ Billion**
UAE (Abu Dhabi)	Abu Dhabi Investment Authority (ADIA)	1976	875.0
Singapore	**Government Investment Corporation (GIC)**	**1981**	**330.0**
Norway	Government Pension Fund-Global	1990	322.0
Kuwait	Kuwait Investment Authority	1953	250.0
China	China Investment Corporation (CIC)	2007	200.00
Russia	Stabilization Fund	2004	127.5
Singapore	**Temasek Holdings**	**1974**	**108.0**
Qatar	Qatar Investment Authority (QIA)	2005	40.0

Source: William Miracky et al, *Assessing the Risks: The Behaviors of Sovereign Wealth Funds in the Global Economy* (New York: Monitor Company Group, June 2008); *Sovereign Wealth Funds: Assessing the Impact* (Boston: State Street Corporation, August 2008).

---

[2] Donghyun Park, "Beyond Liquidity: New Uses for Developing Asia's Foreign Exchange Reserves," Asian Development Bank, *ERD Working Paper Series*, No. 109 (November 2007), 23.
[3] Gerald Lyons "State Capitalism: The Rise of Sovereign Wealth Funds," *Standard Chartered Global Research* (October 2007).
[4] Steffen Kern, "Sovereign Wealth Funds—State Investments on the Rise," *Deutsche Bank Research* (September 2007).
[5] "Asset-Backed Securities," *The Economist* (17 January 2008), online edition.

Currently, SWFs are estimated to possess as much as US$3.0 trillion in combined assets and could grow to US$12.0 trillion by 2015, dwarfing the world's total official foreign exchange reserves along the way. [6] The growing size of SWFs has attracted suspicion, particularly in developed Western countries. With many SWFs originating from developing countries, their growing size and number, coupled with perceived aggressive investments in the strategic and high-profile sectors of Western developed economies, have stoked nationalistic reactions. As such, fear and scrutiny of SWFs is likely to persist.

Two core fears lie at the heart of the current suspicions of SWFs. The first is that such government-owned funds would inject politically-motivated objectives into erstwhile economic considerations, with SWFs employing secretive funds to buy over 'strategic' national assets and gain undue political influence in host countries.[7] The second concern is the economic impact of the growing size and number of these little-known foreign-government funds on a host country's economy, and collectively, on the stability of the global capital markets. SWFs have been fingered for fuelling crude oil prices, directly through commodity trading, and indirectly by providing capital to hedge funds.[8] The current subprime-related credit crisis in Western economies and the accompanying depreciation in the US dollar have only heightened these fears,
as distressed financial institutions in Europe and the US are seeking capital injections from foreign investors to replenish their huge losses.

Notwithstanding these rising concerns, a case can be made for the merits of SWFs. Not unlike foreign direct investments, fresh capital from SWFs can rescue distressed firms from bankruptcy and preserve jobs in mature economies. From a global perspective, SWFs can enhance liquidity and counter against boom-and-bust cycles in world financial markets, thereby exerting a stabilizing effect on the international financial system.

Singapore is a noteworthy case study on the political risks faced by SWFs. This is because GIC and Temasek are consistently ranked among the global top 10 SWFs in terms of assets. In addition, as the subsequent sections will highlight, Singapore's SWFs have attracted

---

[6] Stephen Jen, "How Big Could Sovereign Wealth Funds Be By 2015," *Morgan Stanley Global Currency Research* (3 May 2007)
[7] See Footnote 4.
[8] "State Wealth Funds May Be Fuelling Record Crude Prices," *Straits Times* (18 March 2008), online edition.

worldwide attention in recent times as a result of some of their politically-controversial overseas investments.

Overview of GIC: Investment Portfolio and Strategy

GIC was set up in 1981 as a private company, wholly-owned by the government of Singapore. It functions as a fund-management company for the government's funds and is now ranked the world's second-largest SWF, with well over US$300 billion in assets, after Abu Dhabi Investment Authority (ADIA) but ahead of Norway's Government Pension Fund—Global (see Table 1). The Chairman of GIC is Minister Mentor Lee Kuan Yew, who is supported by two Deputy Chairmen: Prime Minister Lee Hsien Loong, and Tony Tan, concurrently GIC's Executive Director and a former Deputy Prime Minister. Three Members of Parliament also sit on its board.

GIC started out its investments with equities, fixed income and real estate. Its investments currently span nine asset classes: developed-market equities, emerging-market equities, private equity, nominal bonds, inflation-linked bonds, real estate, commodities, hedge funds and short- term assets including currency overlay.[9] As at July 2006, half of GIC's portfolio was in equity investments, 30% in bonds, and the remainder 20% comprising private equity, hedge funds, real estate and commodity investments. It also has outsourced 25% of its funds to external fund managers.[10]

Geographically, GIC's investments spread over 40 countries, with the bulk in US (40 – 45%), Europe (20 – 25%) and Japan (8 – 10%). The destinations of the remaining 20-32% investments are unspecified; it is only known that they include Asia, while Latin America and Eastern Europe appear to be new areas of interest.[11]

Based on GIC's website, GIC's investments are managed by three "autonomous subsidiaries", each has a separate investment focus:

---

[9] "Keynote Speech by Mr Lee Kuan Yew, Chairman of GIC at the GIC 25th Anniversary Dinner", 11 July 2006, Singapore. See www.gic.com.sg/newsroom_speeches.htm.
[10] "GIC Will Shift Focus to Emerging Markets," *International Herald Tribune* (11 July 2006), online edition.
[11] "GIC Starts Push Into Latin America and Eastern Europe," *Business Times* (18 September 2006), online edition.

a) GIC Asset Management Pte Ltd concentrates its investments in public markets such as equities, fixed income, money market instruments and funds outsourced to external asset managers.

b) GIC Real Estate Pte Ltd handles real estate investments including indirect real estate vehicles such as real estate investment trusts. Since December 2005, GIC RE has been ranked among the world's top 10 real estate investment firms with interests in office, retail, residential, industrial and hotel sectors.

c) GIC Special Investments Pte Ltd deals with the wide spectrum of private equity and infrastructure investments including direct company investments, leveraged buyouts, venture capital, etc. It is Asia's largest private-equity investor. Sector-wise, there are dedicated departments for technology and infrastructure. The latter area is a recent investment focus that looks into mature infrastructural assets such as airports and highways that operate in regulated environments.

GIC's investment horizon is long term, ranging from a minimum of two years but can stretch to 10 years. It deliberately adopts a low profile as it generally takes only small stakes in companies (less than 0.5%) and avoids active participation in the management of these companies. GIC performs in-house political, economic and financial analyses to shape its investment policies and strategies, particularly in strategic and tactical asset allocations.

In general, GIC's approach to risk is prudent and conservative. According to Tony Tan, GIC's investment philosophy is to focus on the downside since the upside will take care of itself.[12] Tan had also disclosed that during the onset of the subprime credit crisis, GIC had prudently adopted a more conservative stance in its investment portfolio by selling stocks in the third quarter of 2007 and holding more cash, a measure not commonly taken by more aggressive international fund managers.[13]

---

[12] "GIC Says Deep Recession Is But One of the Three Likely Outcomes," *Straits Times* (25 April 2008), online edition.
[13] "Speech by Dr Tony Tan, at GIC Staff Conference," 21 April 2008, Singapore. See www.gic.com.sg/newsroom_speeches.htm.

Overview of Temasek: Investment Portfolio and Strategy

Temasek was set up in 1974 as a holding company for shares in government-linked corporations (GLCs) owned by Singapore's Ministry of Finance. As such, Temasek is fully owned by the Ministry of Finance, which holds it in trust for the Singapore people. This relationship is formalized by the legislation that the president of Singapore's approval is required before anyone can be appointed to, or removed from, Temasek's board of directors, or the position of its CEO. Starting with a fund size of S$354 million, Temasek's portfolio has grown to a last-reported size of S$185 billion (around US$134 billion).[14] Based on Temasek's annual report, the current chairman of its board is S Dhanabalan, a former cabinet minister. Ho Ching, a former senior civil servant, and the wife of the current prime minister, is its CEO. The current permanent secretary of the Ministry of Finance also sits on Temasek's board of directors.

Unlike GIC, Temasek continues to be fully invested in equity, including investments in the Astrea Equity Fund. Sectorally, investments in financial services, telecommunications & media, as well as transportation & logistics have dominated in the last few years. Geographically, since 2005, Temasek has reduced its domestic investments in favor of overseas investments; investments in Singapore had fallen from almost 50% in 2004 to 33% in 2008.

In particular, since 2002, with the appointment of Ho Ching, Temasek has moved towards investing in Singapore's Asian neighbours, while incrementally expanding its investment horizons to mature and emerging economies outside Asia as well. This re-oriented Asian strategy is based on four investment themes, with each focusing on a particular sector: "Transforming Economies" targets financial services and infrastructure development; "Thriving Middle Class" looks towards telecommunications, media, consumer and lifestyle, and real estate sectors; "Deepening Comparative Advantages" concentrates on energy, resources and life sciences; and "Emerging Champions" focuses on technology, transportation and logistics development. Investments in these sectors in emerging Asia are

[14] *Temasek Review 2008*, which is Temasek Holdings' latest annual report.

now valued at S$77.0 billion, and have generated a six-year annualized return of 32%, which outperforms Temasek's other investments with only 16% in returns.[15]

Key Differences and Similarities Between Temasek and GIC

As the brief overviews on Temasek and GIC show, while both funds are owned by the government and report to the Ministry of Finance, there are significant differences. Firstly, Temasek is an investment holding company and it owns the assets it manages. GIC, on the other hand, does not own the funds it manages. Secondly, since Temasek has ownership over its assets, and its operations are funded largely from its portfolio, it aims to appreciate its capital; whereas for GIC, its mandate is to preserve and enhance the value of government's funds. These different investment aims of Temasek and GIC are translated into different portfolio allocations as detailed in the previous sections. Table 2 below compares the different structures, investment aims and portfolios of Temasek and GIC.

Table 2: Key Differences and Similarities Between Temasek and GIC

Component	Temasek	GIC
Ownership and Reporting Structure	Both are owned by the Singapore government and are accountable to the Ministry of Finance. Both are operationally autonomous.	
Nature of Fund	Investment holding company. Temasek owns the assets it manages.	Fund management. GIC does not own the funds that it manages.
Size of Fund	More than USS$134 billion	More than US$300 billion
Investment Aims	Capital Appreciation	Wealth enhancement: (1) to preserve international purchasing power of funds (2) to enhance value of funds
Market Orientation	Domestic (Singapore) and Foreign	Foreign only
Portfolio Allocation	100% Equities - either directly held, via subsidiaries, or in Astrea Equity Fund	50% - Equities 30% - Bonds 20% - Others: private equity/ hedge fund/real estate/commodity investments
Current Geographical Focus	33% : Singapore 41% : Rest of Asia 23% : OECD economies (excluding Korea) 3% : Others	40- 45% :US 20 -25% : Europe 8- 10% : Japan Remaining 32 -20%: not specified but likely to be Asia, Latin America and Eastern Europe.
Top 3 Sector Focus (not listed in particular order)	Financial Services, Telecommunications & media, Transportation & Logistics	Not specified but based on portfolio, likely to be real estate, infrastructure and financial services.
Investment timeframe	Any: the bottom-line is to reap profits	Medium (at least 2 years) to long term (5 to 10 years)
Key Performance	(1) Shareholder returns	(1) Real rate of return higher than weighted

[15] Information in this entire section is from *Temasek Review 2007* and *Temasek Review 2008.*

Component	Temasek	GIC
Indicators on Rate on Returns (benchmark of performance)	(2) Industry indices such as the STI Index and MSCI World Equity Index.	average of G3 inflation (2) Industry indices: For equities –MSCI World Equity Index and for bonds – enhanced Lehman Brothers World Bond Index.

At the end of the day, how effective a SWF is, is measured by its rate of returns. A study by the Asian Development Bank indicates that while both GIC and Temasek have invested in a wide range of "risky" asset classes, their performances, as measured by their respective overall rates of returns on investments, imply that Singapore's SWFs have a high level of risk management capacity.[16]

GIC has only disclosed its rate of return once, at its 25th anniversary celebration, throughout its years of operations.[17] Overall, over a 25-year period from 1981 to March 2006, its annual rate of return averaged 9.5% in US dollar terms, and 8.2% in Singapore dollar terms. Against global inflation, the average annual rate of return was 5.3%. For specific asset classes – equities and bonds – it is known that GIC has exceeded the Morgan Stanley Capital International (MSCI) World Equity Index and the enhanced Lehman Brothers World Bond Index.[18]

For Temasek, based on its 2008 annual report, the annual compounded return over a 34-year period from 1974 to 2008 was 18%. For the two latest Financial Years (FYs) 2007-08, Temasek reaped an average 17% on total shareholder return, including dividend payout. Temasek has also benchmarked its domestic and overseas investments against industry yardsticks such as the Straits Times Industrial Index (STI) and MSCI Index.

In view of Temasek's higher returns, it is not surprising that its overseas investments carry higher political risks compared to GIC, due to their different investment portfolios, investment approaches, and targeted markets. Firstly, Temasek's portfolio comprises 100% equities which are less diversified and higher-risk compared to GIC's portfolio. Secondly, GIC is deliberately low-profile and its direct stakes in companies are smaller and rarely near controlling levels, usually below 0.5%,[19] comparable to the average for Norway's SWF of

[16] See Footnote 2.
[17] "GIC Takes Long-Term, Responsible Approach," *Straits Times* (28 January 2008), online edition.
[18] GIC Homepage. "Frequently Asked Questions". See www.gic.com.sg/faq.htm.
[19] See Footnote 18.

less than 1.0%.[20] GIC has clarified that its recent significant investments in UBS and Citigroup are exceptions and based on unusual circumstances.[21] In line with its preference for a passive investor role, GIC has also avoided publicity by declining a management role in the two beleagued banks. In contrast, Temasek is an active investor that takes on managerial and advisory capacities in its pursuit for capital appreciation. Lastly, GIC's investments are centered in the developed markets of the US, Europe and Japan where political risk is traditionally lower, while Temasek's investments are more Asia-centric, with a sizable share (12% in FY2008) going to its Southeast Asian neighbors where sovereign and political risks are reckoned to be correspondingly higher.

Case Study of Temasek's Investment in Thailand's Shin Corp

The case of Temasek's investment in Shin Corp in Thailand provides a vivid illustration of how an inadvertent oversight to spot certain political risks can lead to huge potential losses for the fund. At the same time, this is also an investment which has given Temasek access to an extraordinarily large exposure to potential profits from the Thai telecommunications sector. Our findings in this case suggest three points of interest. Firstly, there is much evidence to suggest that there were certain political risks presented by the project which were overlooked, particularly those risks of involving in a business transaction with then Thai Prime Minister Thaksin Shinawatra. Secondly, while it is hard to assess the extent of Temasek's loss in the sale, much less the specific portion of the loss accruing to political risk, an accounting loss of up to S$3.0 billion may be calculated based on movements of Shin Corp's share price alone. Temasek has acknowledged this somewhat in its FY2007 annual report, noting that the one-third drop in FY2007 profits compared to FY2006 could be partly attributed to its investments in Shin Corp.[22] Thirdly, it is noteworthy that the investment in Shin Corp has not been an unequivocal loss-making venture for Temasek due to fact that Temasek has yet to divest its share in Shin Corp. As a result, up until today, Temasek has been able to hold on to its share in Shin Corp, and profit from its business operations, particularly those from mobile telecommunications.

---

[20] "Transparency Key as Norway Sets Pace," *Financial Times* (30 August 2007), online edition.
[21] "Transcript: Tony Tan of Singapore's Government Investment Corporate," *Financial Times* (3 February 2008), online edition.
[22] *Temasek Review 2007*, 20

Temasek's controversial venture began in January 2006 when it acquired a 49.3% stake in Thai telecommunications conglomerate, Shin Corp. The stake had originally belonged to the Shinawatra family, whose stake in one of the nation's largest telecommunications firms had been a source for accusations of corruption. The purchase of such a sizable stake triggered a compulsory offer on the rest of the company's traded stock, which eventually gave Temasek a stake of between 75% and 96% of Shin Corp.[23] The transaction "set off a political maelstrom", with many Thais being infuriated by the fact that Thaksin Shinawatra had paid no taxes on the sale.[24] The backlash against Thaksin resulting from this sale fed into a larger political movement against Thaksin which eventually unleashed a military coup, overthrowing Thaksin's Thai Rak Thai Party in September 2006. Following the coup, increasing pressure had been placed by the military government on Temasek to divest a large portion of its shares, which, if materialized, would result in a significant loss for Temasek, since Shin Corp's share price had plummeted considerably since the takeover. Today, shares are traded at around half of the price at which Temasek purchased them.

The political risks, which Temasek took by investing in Shin Corp, can be gauged at the general and specific levels. At the general level, by the time Temasek made the decision to invest, the Thai investment climate was already clouded by rising political risks--risks relating to the stability of its laws, its receptiveness to foreign investment, and the quality of its political and corporate governance. Thailand had already scored low on political-risk indicators. The Economic Intelligence Unit (EIU) gave it a political-risk rating of "D" in the months leading up to January 2006.[25] Thailand was also given a relatively low score of 6.71 for its business environment, placing it 8th in the regional rankings of 16 Asian countries.[26] Similarly, the Business Monitor International (BMI) indicated a short-term political-risk rating of 66.0 for Thailand, below the regional average of 67.3.[27] Any investment in Thailand, at the time of Temasek's purchase, would thus be exposed to a fair amount of political risk anyway.

---

[23] The exact number remains in dispute due the fact that certain shares of Shin Corp are held by 'nominee companies', companies in which Temasek owns a sizable stake, but are registered in Thailand, and nominally owned by Thais.

[24] Salil Tripathi, "Singapore: Temasek: The Perils of Being Singaporean," *Far Eastern Economic Review* (5 May 2006), online edition.

[25] Economist Intelligence Unit, *Country Risk Service- Thailand* (December 2005).

[26] Economist Intelligence Unit, *Country Forecast- Thailand* (November 2005).

[27] Business Monitor International, *Thailand Business Forecast Report* (Quarter 4, 2005).

At the specific level, the primary source of political risk was Shin Corp's association with Thaksin, particularly because the transaction occurred in a period of increasing challenges to his legitimacy as prime minister. In the months leading up to the transaction, Thaksin's "popularity was already waning as a result of rising inflation and interest rates and daily violence in southern Thailand."[28] Public suspicions were further aroused after the Supreme Administrative Court was involved in stopping a Thaksin-related dealing in mid-November 2005 when it "suspended the initial public offering (IPO) of the state-owned Electricity Generating Authority of Thailand (EGAT)…one of his [Thaksin's] most high-profile policy initiatives."[29] Hence, Temasek's involvement with Thaksin occurred at a period when any corporate dealings involving members of the administration would have been viewed with deep suspicion. Additionally, Shin Corp's ownership of certain strategic assets, particularly its 42% ownership of Shin Satellite, also meant that by entering into the deal, Temasek would expose itself to the Thai sensitivity towards foreign acquisitions of strategic assets.[30] This, in turn, would be exacerbated by the perception of Temasek as a government-controlled entity, in particular the fact that "when Temasek invests in the region, its neighbors do not see it as an Asian conglomerate, but as an arm of Singapore, Inc."[31]`

From Temasek's perspective, however, its primarily Singaporean management team did not seem to have recognized the association of Shin Corp with Thaksin's growing legitimacy crisis as a problem because Singaporeans, in general, tend to focus on election results as the defining gauge of a ruling party's legitimacy. The difference between Thai and Singapore perceptions of what constitutes political legitimacy can be inferred through a survey of press opinions in both countries.[32] Formally, Thaksin's position in the government appeared to be unassailable given the fact that the Thai Rak Thai Party had won a land-slide victory in the February 2005 parliamentary elections. Hence, it seems that, from Temasek's perspective there did not appear to be a pressing need to assess the political risks from dealing with Thaksin. In addition, it was assumed that little or no objections to the investment would be raised from Thai regulatory authorities due to the fact that Temasek would not be the only foreign government-linked investor in a Thai telecommunications company with an effective ownership that exceeded 51%. Prior to Temasek's investment, Norwegian

---

[28] Economist Intelligence Unit, *Country Forecast- Thailand* (February 2006).
[29] Economist Intelligence Unit, *Country Risk Service- Thailand* (December 2005).
[30] "Share Sale Furore: Singapore Warned: Drop Shin Takeover," *The Nation* (8 February 2006), online edition.
[31] Salil Tripathi, "Singapore: Temasek: The Perils of Being Singaporean," *Far Eastern Economic Review* (5 May 2006), online edition.

telecommunications company, Telenor, a private listed company with about 50% ownership by the Norwegian government [33], had already accrued an effective interest of over 51% in Thai telecommunications company Total Access Communications (DTAC).[34]

These political risks in Thailand were, however, balanced by several factors that provided the key impetus for Temasek's investment in Shin Corp in the first place. A key attraction of the deal was that it would provide Temasek with an exposure to potential profits from the growing Thai middle class, an objective in line with Temasek's overall investment strategy since 2002.[35] Shin Corp was, and still is, poised to provide this exposure via its ownership of 43% of Advanced Information Service (AIS), the market leader in Thai mobile telecommunications. Temasek's search for a way to invest in the Thai middle-class segment coincided with Thaksin's interests in finding a buyer for Shin Corp, ostensibly for the aim of reducing the conflict of interests arising from his relationship with a major national telecommunications player.[36]

One way of assessing the effectiveness of Temasek's political risk management strategies would be to evaluate gains and losses that may be associated with the political risks which were taken. This is impossible to do in a detailed, direct manner due to the dearth of public information. A possible proxy gauge for Temasek's losses, however, would be the fall of Shin Corp's stock price on the Stock Exchange of Thailand, following Temasek's purchase in January 2006. If we were to use the value of the share price as a measure for the value of Temasek's investment, then Temasek, by mid-2008 would have made an accounting loss of S$3.0 billion on its investment in Shin Corp.[37] This estimated loss of S$3.0 billion cannot, however, be fully attributed to Temasek's exposure to political risks. Other possible reasons for the drop in share price would be that Shin Corp's return-on-equity, a key measure of the firm's performance, declined from 20.7% in FY2005 to 8.0% in FY2006.[38] This sharp fall in performance can be attributed to exposure to non-political risks, such as "a fundamental loss

---

[32] "What is Democracy? A Tortoise, Not a Hare," *Straits Times* (23 September 2006), online edition.
[33] "Our History- Telenor", see http://www.telenor.com/about/who_we_are/our_history/
[34] "Temasek's Thai Headache," *Financial Times* (19 February 2007), online edition.
[35] *Temasek Review 2007*, 36.
[36] Economist Intelligence Unit, *Country Forecast- Thailand* (February 2006).
[37] Based on the information from Shin Corp's website. The two Temasek subsidiaries which are said to have a majority stake in Shin Corp, Cedar and Aspen Holdings Limited, hold a combined share of 3,076,762,063 Shin Corp stock. The market price of Shin Corp's stock at the time Temasek's purchase was 47.25 Baht and the market price as of May 20th 2008 was 27.00 Baht.

of value due to the revocation of concessions"[39], as well as to political risks, such as the public protests and boycotts on Shin Corp that arose following the share purchase.[40]

Despite all the pressures that have been brought to bear on Temasek, as of August 2008, Temasek had not yet divested any of its Shin Corp shares.[41] While there are many reasons for this, including possibly the difficulty of finding a buyer when such a large share of a company's stocks is concerned, the end result is that Temasek has thus far been able to hold onto the gains which it originally sought with the investment. The primary gain from the investment has been its continued exposure to profit from the Thai middle class. As of April 2008, AIS was still the market leader of Thailand's mobile phone network with a market share of 50%.[42] Given Shin Corp's 43% share of AIS, this means that statistically, every 10 Baht spent by Thais on mobile telephone calls would result in around 2.0 Baht of revenue that could be attributable to Temasek.[43] As far as Temasek has been able to avoid divesting its share in Shin Corp, it has been able to "correlate with the growth of the emerging middle class in Asia",[44] as was planned at the time of its investment.

Case Study of Temasek's Investments in Indonesia's Telkomsel and Indosat

Within the space of a year of having to deal with the fallout from Shin Corp, Temasek's investments in the telecommunications sector of Indonesia began to experience the effects of political risks even though the Indonesian investments had been made years before. While it did not directly invest in either of these two companies, the investment in Telkomsel and Indosat by ST Telemedia (owned 100% by Temasek) and SingTel (56% owned by Temasek) nevertheless exposed Temasek to losses and gains which could both be traced to political risks. However, unlike the case of Shin Corp, the political risk management strategies employed by Temasek's subsidiaries when they invested in Indonesia proved to be generally comprehensive and proactive. By their very nature, however, political risks cannot be fully eliminated, even by the most prudent strategies. This was what happened, in the case of

---

[38] *Temasek Review 2007*, 95.
[39] "Temasek's Thai Headache," *Financial Times* (19 February 2007), online edition.
[40] "Thai-Singapore Axis Set to Unravel," *Financial Times* (21 September 2006), online edition.
[41] Shin Corp Homepage. "Major Shareholders". See http://www.shincorp.com/CI/templateCIen.asp
[42] "Thai Shin Corp Looks to Invest in New Businesses," *Yahoo News*. See http://sg.news.yahoo.com/rtrs/20080422/tap-shin-thailand-c3bb44c.html
[43] Calculated by multiplying AIS's market share against Temasek's ownership stake.

Temasek's subsidiaries' investments in the Indonesian telecommunications industry, which best illustrate the unpredictable nature of political risks, particularly in a developing economy.

The acquisition of stakes in Telkomsel and Indosat, through Temasek's subsidiaries, occurred in 2001 and 2002 respectively, with the Indosat deal coming through an invitation by the Indonesian government to "more than 40 parties to bid on the stake".[45] No political problems resulted from the acquisitions until 18 October 2006 when a complaint was filed to the KPPU, the Indonesian competition authority, alleging that Temasek had exercised monopoly power and was guilty of anti-competitive practices. The complaint was dropped in April 2007, but the KPPU continued with its investigation and ruled on 19 November 2007 that Temasek was guilty. A fine of 25 billion rupiah (S$3.8 million or around US$2.5 million) was imposed on Temasek and eight associated companies, and Temasek was ordered to divest either its interests in Telkomsel or Indosat. An appeal was made, but in May 2008 the Central Jakarta District Court upheld the ruling, though the fine was reduced to 15 billion rupiah. Temasek's further appeal to Indonesia's Supreme Court was rejected in mid-September. At the time of writing, it is not clear whether Temasek would take the case to international arbitration.[46]

The main bone of contention in this case revolves around the interpretation of "Article 27 of Indonesia's Anti-Monopoly Law which prohibits the holding of majority shares in two or more operators in the same market."[47] The KPPU has alleged that together, both investments by Temasek's subsidiaries give Temasek a majority interest in the Indonesia telecommunications sector, and hence constitute a violation of the law. Temasek contends that KPPU is stretching its interpretation of the law beyond reasonable limits, and the fact that neither ST Telemedia nor SingTel owns controlling stakes in either Indosat or Telkomsel clearly means that no laws have been violated. A brief survey of press commentaries emanating from Indonesia[48] and international analysts[49] suggests that general opinions lie in favor with Temasek's stance.

---

[44] *Temasek Review 2007*, 69.
[45] "Telecom Tangle for Singapore's Temasek," *Asia Times Online*. See http://www.atimes.com/atimes/Southeast_Asia/IK22Ae01.html
[46] "Indosat Deal Gets Jakarta Court OK, Temasek's Appeal Against Anti-Monopoly Ruling Rejected," *Straits Times* (13 September 2008), online edition.
[47] "Temasek to Appeal to Indonesia's Supreme Court," see Temasek Holdings Homepage, http://www.temasekholdings.com.sg/medis_centre_kppu_background_09may.htm
[48] "Anti-Monopoly Body Shoots Temasek, Hits Govt," *Jakarta Post* (21 November 2007), online edition.
[49] See Footnote 45.

As in the case of Shin Corp, the investments into Indonesia's telecommunications sector by Temasek's subsidiaries exposed it to political risk at two levels. Prior to its investment in Indosat--the second investment which supposedly gave Temasek monopoly powers in the Indonesian telecommunications market--the EIU had given Indonesia a poor political-risk rating of "D"[50] and a low business environment rating of "5.09".[51] The BMI similarly gave Indonesia low political-risk ratings 43.0 in the long-term, and 53.0 in the short-term, far below the regional averages of 61.1 and 65.0 respectively.[52] Hence, it is clear that at the time of their investments in Telkomsel and Indosat, Temasek's subsidiaries were exposing themselves to the same high level of political risks which would come with any investment into Indonesia.

Temasek's subsidiaries attempted to manage the political risks which they were exposed to on two levels. Firstly, by limiting their stakes in the respective telecommunications companies, they followed the letter, and many argue, the spirit of the Indonesian law.[53] Secondly, by not holding majority shares of Telkomsel and Indosat, and by having government-appointed directors and commissioners form the majority of the boards of these two companies, Temasek constructed an effective hedge against any prejudicial government actions by giving the Indonesian government controlling stakes in both companies. The effectiveness of such a hedging strategy can be seen from the fact that by finding Temasek guilty:

> the KPPU's decisions are also a rebuke to the Indonesian government, as they reveal how utterly incompetent it has been in appointing directors and commissioners (supervisors) to Indosat and Telkomsel…How could the government-appointed directors and commissioners, which make up the majority of the boards at both mobile telecommunications companies, allow Temasek to collude with Telkomsel in abusing its market dominance and committing other monopolistic acts?[54]

In addition, when the investments were first made in 2001 and 2002, they were placed under regulatory scrutiny and had passed without any problems. Hence, the case illustrates a classic example of a firm suffering a loss arising from regulatory risk, i.e., risks pertaining to uncertainties in government regulations. Given the measures which had already been taken by Temasek, it is hard to see how Temasek could have further reduced or hedged against these regulatory risks, save deciding to simply not invest in any Indonesia companies.

---

[50] Economist Intelligence Unit, *Country Finance- Indonesia* (July 2002).
[51] Economist Intelligence Unit, *Country Forecast- Indonesia* (January 2002).
[52] Business Monitor International, *Indonesia Quarterly Forecast Report* (Quarter 1 2002).
[53] See Footnote 45.

Besides Temasek, eight other affliated companies, including ST Telemedia and SingTel, were fined 25 billion rupiah (S$3.8 million). This was reduced to 15 billion rupiah following results of the appeal released on 9 May 2008. Unlike in the case of Shin Corp, Temasek's subsidiaries have made an accounting profit based on the appreciation of Indosat share price since the acquisitions in 2002.[55] However, in the case of a forced divestment, it is unlikely that either of Temasek's subsidiaries would be able to divest their stakes at market prices, given the size of their stakes in the two companies. Hence, there is a possibility that, should the court order to divest be enforced, the subsidiary that divests would be forced to record an impairment on the value of the shares it sells. While there were press reports in June 2008 to claim that ST Telemedia would sell its stake in Indosat to Qatar Telecom, the latter had acknowledged the controversial nature of the deal, and affirmed that the transaction would abide by Indonesian Supreme Court's final verdict, which came in mid-September 2008 and ruled that ST Telemedia could proceed with the sale.[56]

As in the case of Shin Corp, the gains associated with the risks taken can be attributed to the exposure to the Indonesian middle class. "Telkomsel is the leading operator of cellular telecommunications services in Indonesia by market share. By the end of September 2007, Telkomsel had 44.5 million customers, which based on industry statistics represented a market share of around 53 per cent."[57] Indosat, with 22 million subscribers, holds a market share of 26.8%. As in the case of Temasek's investment in Shin Corp, the investments in Telkomsel and Indosat mean that statistically, every 10 rupiah spent on mobile phone calls in Indonesia result in 2 rupiah of revenue which would be attributable to Temasek.

To sum up, since 2002, Temasek's investment strategy has switched to include a more aggressive, overseas expansion path.[58] The two case studies have shown that this aggressiveness has come along with additional political risks. As opposed to Temasek, GIC has not found itself embroiled in any similar cases in the past few years, suggesting that Temasek has indeed been the SWF turning more aggressive in taking on political risks. Temasek's financial results, however, show that it has been handsomely rewarded for its

---

[54] See Footnote 48.
[55] "Indosat Historical Prices," *Yahoo Finance*. See http://sg.finance.yahoo.com/q/hp
[56] "ST Telemedia Completes S2.5 billion Indosat Sale to Qtel," *Straits Times* (24 June 2008), online edition; see also Footnote 46.
[57] Telkomsel Homepge. *Company Profile*. See http://www.telkomsel.com/web/company_profile
[58] *Temasek Review 2007*, 36.

exposure to these additional risks. Since 2002 when its focus on Asia began, investments in the region have delivered a six-year compounded return of 32% per year, compared to a return of 16% per year for the rest of the portfolio over the same period. This suggests that in general, Temasek has managed its political risks competently.

Financial Investments by GIC and Temasek Since the Subprime Credit Crisis

Given the current attention on the subprime credit crisis, and the high-profile stakes by SWFs in distressed Western financial institutions at a time of growing tide of Western protectionism, we now focus on a preliminary political risk assessment of GIC and Temasek's recent financial investments in Europe and the United States.

The current subprime credit crisis--which started in the US in late 2006 due to the bursting of the housing bubble and the securitization of subprime mortgages--has led to a global credit crunch among the Western economies. As a *Financial Times* article on 23 March 2008 noted, SWFs had been quick to exploit the credit squeeze. From January 2007 to February 2008, SWF investments amounted to a record US$72.9 billion, with investments in the financial sector amounting to 83% (US$60.7 billion) of the total value. Singapore was at the forefront of these investments, accounting for 57% (US$41.6 billion) of the combined SWF investments of US$72.9 billion. Specifically, GIC was the top investor accounting for 39% (US$28.6 billion) of all investments during this period, while Temasek was third with US$13.0 billion (18%). Kuwait Investment Authority (KIA) was in the second place, investing US$19.9 billion (27%).

Of interest to our study on Singapore's SWFs is that these large financial investments in the US and Europe are unprecedented for GIC and Temasek, and do not conform to their hitherto low- profile investment approach. For even Temasek, as a reaction to the telecommunication sagas in Thailand and Indonesia, had earlier announced that it would henceforth avoid investing in 'iconic' companies abroad and would seek only minority stakes.[59] However, in a January 2008 interview, GIC's Deputy Chairman Tony Tan revealed that the circumstances surrounding these large financial investments were unusual, with serendipity playing a part. Due to Singapore's generally prudent investment approach, which resulted in both Temasek

[59] "Temasek to Lower Investment Profile,"*Financial Times* (23 November 2007), online edition.

and GIC liquidating a portion of their equity holdings before the onset of the subprime crisis, GIC and Temasek were well-positioned with the financial resources to accept the invitations by the troubled financial institutions such as UBS, Citigroup and Merrill Lynch to inject capital into these struggling corporations.[60]

Specifically, GIC had in December 2007, bought a 9.0% stake in the Swiss bank, UBS, valued at about 11.0 billion Swiss Francs.[61] GIC already had shareholdings of less than half a percent in UBS prior to this investment.[62] It appeared that GIC was the only SWF to invest in UBS together with an undisclosed Middle Eastern investor, which had invested 2.0 billion Swiss Francs.[63] In January 2008, GIC invested US$6.88 billion in Citigroup, which represented a stake of about 3.5% in the corporation. Prior to this capital injection, GIC also had a stake of less than half a percent in Citigroup. Other SWFs investing in Citigroup are KIA and AIDA, with the latter's investment stake, at US$7.9 billion, higher than GIC's.[64] For both investments in UBS and Citigroup, the capital injections have made GIC one of the largest single shareholders and thus warranted a board seat.[65]

For Temasek, since January 2007, it has invested in Barclays, Standard Chartered and Merrill Lynch. However, only Temasek's investment in Merrill Lynch will be analyzed because its investment in Barclays and Standard Chartered were based on different circumstances (not subprime-related) and motivations. From December 2007 to July 2008, Temasek invested a total of US$5.8 billion in Merrill Lynch, the world's third largest securities firm, representing a potential 14% stake in the corporation (and its single largest shareholder), which would require US regulatory approval.[66] In the wake of Bank of America's acquisition of Merrill Lynch in mid-September 2008, it is too early to speculate on what Temasek would do with its stake in Merrill Lynch.

The unusually high-profile financial investments by Singapore's SWFs have invited both domestic and foreign scrutiny. It was reported that GIC earlier faced a potential revolt by

---

[60] "GIC Takes Long-Term, Responsible Approach," *Straits Times* (28 January 2008), online edition.
[61] "Singapore's GIC Mulls Further Investment in UBS:WSJ," *Straits Times* (15 April 2008), online edition.
[62] "Transcript: Tony Tan of Singapore's Government Investment Corporate," *Financial Times* (3 February 2008), online edition.
[63] "Statement by Dr Tony Tan at GIC Media Conference on 10 Dec 2007, Singapore," see www.gic.com.sg.
[64] IMF, *Global Financial Stability Report* (April 2008), 21.
[65] "GIC Invests USD 6.88 Billion in Citigroup." Press release on 15 January 2008. See www.gic.com.sg.
[66] "Temasek Throws Support to Merrill's Thain," *Wall Street Journal* (27 August 2008), online edition. "Temasek Ploy Pays Off at Bank's Cost," *Financial Times* (29 July 2008), online edition.

UBS shareholders over the deal because it was negotiated directly by UBS chairman with GIC's management. [67] From Washington, Temasek was invited by the US House of Representatives' Financial Services Committee to testify at its meeting in March 2008 regarding its allegedly purely commercial investment aims.[68] In Singapore, the government-owned English daily newspaper *Straits (Sunday) Times* ran an article questioning the wisdom and prudence of Temasek's and GIC's investments,[69] noting that since December 2007, share prices of all major financial institutions had plummeted due to massive write-offs and investors' risk aversion. In fact, based on a separate article by *Financial Times* in May 2008 on subprime losses to date, investments made by Singapore's SWFs appeared to have suffered the most, if assessed on the basis of total write-downs and credit losses by distressed Western financial institutions. In a ranking of the 23 banks around the world that had been hit by subprime losses, Citigroup, UBS, and Merrill Lynch topped the list in this consecutive order.[70]

Our preliminary assessment based on the events to date, are that these financial investments by Temasek and GIC are more susceptible to <u>business risk</u> than political risk. This is because, for GIC's investments in UBS, the Swiss authorities had given their public support,[71] and no objections to GIC's capital injection were reported at the February 2008 UBS annual shareholders meeting on the basis of GIC being foreign and government-owned. In the case of Temasek, the US House of Representatives' Financial Services Committee had also invited testimonies from Norway's SWF and a government pension fund from Canada for the same meeting, hence indicating that Temasek was not being singled out.[72] Finally, despite the speculations on political risks, since December 2007, there has not been any foreign restriction or politically-motivated action constraining Temasek's and GIC's offshore financial investments. Thus, the current risks associated with these investments are <u>business-related</u> stemming from volatility of the US and European stock markets caused by the subprime credit crisis, gyrating commodity prices, and deteriorating global economic outlook. Fortunately, for GIC, its investments in Citigroup and UBS are protected through the

---

[67] See Footnote 62
[68] "Singapore's Temasek Assures US Its Investments Are Commercial," AFP (7 March 2008).
[69] "Wise Buys by GIC and Temasek?" *Sunday Times* (27 April 2008), online edition.
[70] "Writedown League Table," *Financial Times* (13 May 2008), online edition.
[71] See Footnote 62.
[72] "Temasek Reassures US Over Investing Activities," *Straits Times* (7 March 2008), online edition.

incorporation of convertible security notes which would reap GIC a yearly return of about 7-9%, regardless share prices.[73]

Singapore's Strategies for Political Risk Reduction

Since the Shin Corp, Telkomsel and Indosat episodes, Singapore's SWFs have actively sought to reduce the political risk of its investments through four avenues, namely, a calibrated investment approach, a targeted public-relations campaign, a visible community outreach program, and a cooperative role in the multilateral efforts to formulate a best-practices code of acceptable behavior for SWFs.

A Calibrated Investment Approach. Until the recent US and European financial investments, GIC has been a low-profile passive investor. In addition, where feasible, joint ventures with local partners are preferred as in the case for many of GIC's real estate investments.[74] GIC's last noted high-profile investment was in the 1990s when GIC and Temasek invested close to S$1.0 billion in New Zealand's financial sector.[75] Even for its recent high-profile financial investments, GIC has tried to adhere to its tried-and-tested formula, and has rejected a management role in UBS and Citigroup. In addition, GIC appears to have taken note of the recent global publicity surrounding its financial investments, and in recent months GIC has announced its plans to leverage more on private–equity funds, such as through GIC's recent US$2.5 billion stake in TPG Capital Fund so as to maintain itself as a passive, low-profile investor.[76]

GIC's diversified investment portfolio and its prudent approach in negotiating a lower, but consistent, return on its investments in UBS and Citigroup also serve as a hedge against falling share prices, which, as the case of Temasek in Thailand shows, could arise due to unforeseen political events.

For Temasek, as highlighted earlier, its investment portfolio and approach expose it to higher political risk which it accepts because of its different investment objectives compared to GIC,

---

[73] "Wise Buys by GIC and Temasek?" *Straits Times* (27 April 2008), online edition. The payout is 7.0% for Citigroup based on a non-expiry period with an option to convert to shares, and 9.0% for UBS over a 2-year period after which GIC has to convert to shares or divest.
[74] Based on the press releases on GIC Real Estate's acquisitions in www.gic.gov.sg/newsroom
[75] "GIC Invests $14 billion in Swiss Bank UBS," *Straits Times* (11 December 2007), online edition.

ie capital appreciation. In addition, Temasek, unlike GIC, owns most of the funds it invests in. However, it is noteworthy that since Temasek's investment losses in Thailand and Indonesia, it has stated that it will avoid investments in 'iconic' overseas companies, go for minority stakes in future investments, and seek local partners in making acquisitions.[77]

Targeted Public Relations Campaign. Since 2007, the management of Temasek, and the famously-reticent GIC, have started to give press interviews. This can be interpreted as part of a targeted public relations campaign that operates on two levels: on a broader, strategic level, to dispel suspicions and rumors on Singapore's SWFs; and on a specific, tactical level, to clarify public doubts on individual investments. At the general level, differences between Temasek and GIC are emphasized, and the legal fact that the two are separate entities is stressed. In addition, Temasek has emphatically asserted that it is a "state-owned but not state-directed" entity with an independent board, and that 40% of the company's management staff is foreigners.[78]

At the specific level, to reassure UBS shareholders of GIC's investment aims before their annual shareholders meeting in February 2008, GIC's Chief Investment Officer gave an interview to *Bilanz*, a finance magazine in Switzerland, in January 2008.[79] Following the clarifications made in the interview, UBS shareholders did not raise any objections to GIC's capital injection, suggesting perhaps some effectiveness of this public relations exercise.

At a broader level, Temasek has tried to shore up goodwill through symbolic contributions to host governments and social causes in host countries. For instance, in July 2003**,** Temasek and its subsidiaries[80] presented two thermal imaging scanners to the Indonesian government for use of screening potentially SARS-infected passengers at Jakarta's international airport. This goodwill gift to the Indonesian government followed earlier contributions to the local governments in Beijing and Shanghai.[81]

---

[76] "GIC, Via Private Equity, Targets Emerging Markets," *Wall Street Journal* (17 April 2008), online edition.
[77] "Temasek to Lower Investment Profile," *Financial Times* (23 November 2007), online edition.
[78] "Temasek Seeks to Reshape its Image," *Financial Times* (2 August 2007), online edition.
[79] "Some Say UBS Stands for United Bank of Singapore," *Straits Times* (21 January 2008), online edition.
[80] The 9 other co-sponsors of this contribution were CapitaLand, DBS Bank, Keppel Corporation, PSA Corporation, SembCorp Industries, Singapore Airlines, Singapore Technologies, ST Telemedia, and SingTel.
[81] Temasek Homepage. *Temasek News Release*, 22 July 2003. See www.temasek.com.sg.

Visible Community Outreach Program. Following the path by many multinationals to win over local communities, Temasek has started to build a more visible corporate citizen image in recent years. In 2007, it set up the Temasek Trust with an endowment of S$500 million (around US$350 million) which would fund health care, education, institutions-building and disaster relief among its Asian neighbours.[82] A key beneficiary of Temasek Trust is the Temasek Foundation which has four focus areas including the promotion of exchange programs among different languages/religions/cultures, and support for disaster emergency relief and recovery in Asia.[83] Furthermore, since 1997, Temasek has sponsored the annual youth exchange in Asia under the Singapore Technologies Endowment Fund.[84] Nevertheless, how effective would this community outreach program in mitigating political risk is too soon to tell in this early stage of development.

Supportive Role in the Development of Guidelines for SWFs. The lack of transparency in SWF's aims, organization and operations has been a key source of friction and suspicion: host countries fret about the political motives of SWFs, while SWFs worry that domestic protectionism would hinder their investments and reduce their profitability. Since October 2007, the Group of Seven (G7) developed countries has pushed for the development of a set of best practices that would increase the levels of transparency and governance of SWFs, and in turn, the receptiveness of host countries to SWFs' investments.[85]

Norway's SWF, the Government Pension Fund—Global, has been hailed as the benchmark in transparency and disclosure of information based on the frequency and coverage of details of its investments which are comparable to publicly listed private companies.[86] Norway is also considered a suitable benchmark as the fund's performance indicates that transparency can go with profitability, which is the ultimate aim of a SWF. From 1997 to 2006, its average annual nominal rate of return was 6.5% and its return for 2006 was 7.9% in local currency terms.[87]

Thus the IMF is now pushing for SWFs to develop a set of voluntary best practices that would cover issues of transparency, governance and risk management, with a draft to be ready by the IMF's annual meeting in October 2008. The aim is to allay the fears of both

[82] Temasek Homepage. "People, Purpose, Passion: Creating Sustainable Value". See www.temasek.com.sg.
[83] Ibid.
[84] Ibid.
[85] "No Need for Curbs on SWFs: OECD Chief," *Straits Times* (26 March 2008), online edition.
[86] See Footnote 2. The Norwegian fund publishes quarterly reports and annual reports on all of its investments.

parties, and clarify on the rules of the international monetary and financial system so that global capital markets would remain open and benefits could accrue to both SWFs and host countries.[88] Reflecting the concern in developed countries over SWFs, the 30-nation group of Organisation for Economic Cooperation and Development (OECD) is also studying the issue.[89]

Singapore views the current effort towards more disclosure of information as a hedge against host countries' protectionist sentiments and hence is vital for keeping foreign markets open.[90] As such, Singapore has taken a proactive role towards greater transparency. Since 2004, Temasek has published annual reports. In a January 2008 interview, GIC announced that it would provide its rate of returns at regular intervals, and a press statement from Singapore's Ministry of Finance in March 2008 added that GIC's investment processes and aims would also be revealed.[91] Since April 2008, Singapore has also become a constituent member of the IMF International Working Group on SWFs, which is tasked to draft a set of Generally Accepted Principles and Practices (GAPP) for SWFs to be presented at the IMF International Monetary and Financial Committee meeting in October 2008.

Singapore's Reservations

However, there are some caveats to Singapore's commitment to transparency. For a start, Singapore has disagreed on Norway being a universal model, stating its preference for the guidelines to be broad and flexible, and comparable to those set for private equity and hedge funds.[92] Singapore has reiterated that Temasek is not a SWF.[93] Most tellingly, in a recent May 2008 interview, GIC Chairman Lee Kuan Yew clarified that there would be limits to GIC's transparency because it needs to avoid domestic political pressures on how it should deploy investment funds, and to protect its own commercial strategy and portfolio from

---

[87] "Transparency Key as Norway Sets Pace," *Financial Times* (30 August 2007), online edition.
[88] John Lipsky, "Best Practices for SWFs in Everyone's Interest," *Straits Times* (9 April 2008), online edition.
[89] *OECD Declaration on Sovereign Wealth Funds and Recipient Country Policies*, adopted by Ministers of OECD Countries at Ministerial Level, 5 June 2008.
[90] "Comments on Sovereign Wealth Funds by Dr Tony Tan, at GIC's Media Conference on Its Investment in UBS." See www.gic.com.sg/newsroom.
[91] "Public Document to Clarify GIC Objectives," *Straits Times* (4 March 2008), online edition.
[92] "GIC Takes Long-Term, Responsible Approach," *Straits Times* (28 January 2008), online edition.
[93] "Temasek Says It Is Not a Sovereign Wealth Fund," *Straits Times* (22 March 2008), online edition.

competitors. Hence, GIC would not be publishing yearly profit-and-loss statements, [94] and is not committed to any specific schedule for disclosure.

How effective would the proposed SWF guidelines be as a hedge against political risks that SWFs would have to face from time to time? Ultimately, the set of guidelines would likely remain voluntary and broad-based. At country-to-country level, domestic national security considerations of host countries, as well as investment considerations and interests of SWFs, would vary and be the prerogative of individual governments. While the UK and US are open to SWF investments, Germany and France are noted skeptics of SWFs. The EU has stated that its proposals for a voluntary code would not rule out EU-wide regulation, should voluntary approach fail.[95] Among SWFs, some are not in favor of SWF guidelines. Dubai and Kuwait have protested that the guidelines are discriminatory since transparency among hedge funds is also lacking.[96] In the first instance, an international definition of SWFs has yet to be accepted. Do SWFs, and thus this set of guidelines, cover all state-owned investment vehicles? Or is a SWF defined by the source of its fund, ie government-funded, an argument used by Temasek to delink itself from SWFs.[97] Lastly but equally important, how would these guidelines, led by Western international and national institutions, apply to the vast majority of developing countries? As the case study of Temasek's investments in Thailand and Indonesia demonstrates, transparency and governance may not be a bulwark against volatile changes in political regimes and weak regulatory frameworks.

Conclusion

The experiences of Singapore's GIC and Temasek strongly suggest that SWFs are likely to face political risks in both developed and developing economies due to the inherent salient characteristic of the funds, i.e. government ownership. However, political risk in developing economies appears to be higher owing to uncertainties stemming from harder-to-anticipated regime changes and weaker regulatory frameworks. Nevertheless, since a key objective of SWFs is to reap returns higher than those offered by fixed income investments--which generally offer low-risk, capital-protection and low-returns--exposure to the higher level of

[94] "MM: Good Reasons for GIC Not to be 'Too Transparent'," *Straits Times* (1 May 2008), online edition.
[95] "EU Plan for Sovereign Fund Code Under Fire," *Financial Times* (8 April 2008), online edition.
[96] "Wealth Funds Face More Pressure in Europe," *Straits Times* (3 May 2008), online edition.
[97] "Temasek Says It Is Not a Sovereign Wealth Fund," *Straits Times* (22 March 2008), online edition.

political risks from developing host countries can be justified by the higher rate of returns, as the case of Temasek’s investments in Southeast Asia has shown.

The Singapore case study also shows that a calibrated political-risk-reduction approach and strategy that cover the political, economic and social dimensions can help SWFs reduce their risk exposure caused by its investments. Given the current climate of suspicion over SWFs, the need for political risk management by SWFs can only be expected to rise, regardless where they choose to invest.

IDSS Working Paper Series

1. Vietnam-China Relations Since The End of The Cold War (1998)
   Ang Cheng Guan

2. Multilateral Security Cooperation in the Asia-Pacific Region: Prospects and Possibilities (1999)
   Desmond Ball

3. Reordering Asia: “Cooperative Security” or Concert of Powers? (1999)
   Amitav Acharya

4. The South China Sea Dispute re-visited (1999)
   Ang Cheng Guan

5. Continuity and Change In Malaysian Politics: Assessing the Buildup to the 1999-2000 General Elections (1999)
   Joseph Liow Chin Yong

6. ‘Humanitarian Intervention in Kosovo’ as Justified, Executed and Mediated by NATO: Strategic Lessons for Singapore (2000)
   Kumar Ramakrishna

7. Taiwan’s Future: Mongolia or Tibet? (2001)
   Chien-peng (C.P.) Chung

8. Asia-Pacific Diplomac*ies:* Reading Discontinuity in Late-Modern Diplomatic Practice (2001)
   Tan See Seng

9. Framing “South Asia”: Whose Imagined Region? (2001)
   Sinderpal Singh

10. Explaining Indonesia's Relations with Singapore During the New Order Period: The Case of Regime Maintenance and Foreign Policy (2001)
    Terence Lee Chek Liang

11. Human Security: Discourse, Statecraft, Emancipation (2001)
    Tan See Seng

12. Globalization and its Implications for Southeast Asian Security: A Vietnamese Perspective (2001)
    Nguyen Phuong Binh

13. Framework for Autonomy in Southeast Asia’s Plural Societies (2001)
    Miriam Coronel Ferrer

14. Burma: Protracted Conflict, Governance and Non-Traditional Security Issues (2001)
    Ananda Rajah

15. Natural Resources Management and Environmental Security in Southeast Asia: Case Study of Clean Water Supplies in Singapore (2001)
    Kog Yue Choong

16. Crisis and Transformation: ASEAN in the New Era (2001)
    Etel Solingen

17. Human Security: East Versus West? (2001)
    Amitav Acharya

18. Asian Developing Countries and the Next Round of WTO Negotiations (2001)
    Barry Desker

19. Multilateralism, Neo-liberalism and Security in Asia: The Role of the Asia Pacific Economic Co-operation Forum (2001)
Ian Taylor

20. Humanitarian Intervention and Peacekeeping as Issues for Asia-Pacific Security (2001)
Derek McDougall

21. Comprehensive Security: The South Asian Case (2002)
S.D. Muni

22. The Evolution of China's Maritime Combat Doctrines and Models: 1949-2001 (2002)
You Ji

23. The Concept of Security Before and After September 11 (2002)
a. The Contested Concept of Security
Steve Smith
b. Security and Security Studies After September 11: Some Preliminary Reflections
Amitav Acharya

24. Democratisation In South Korea And Taiwan: The Effect Of Social Division On Inter-Korean and Cross-Strait Relations (2002)
Chien-peng (C.P.) Chung

25. Understanding Financial Globalisation (2002)
Andrew Walter

26. 911, American Praetorian Unilateralism and the Impact on State-Society Relations in Southeast Asia (2002)
Kumar Ramakrishna

27. Great Power Politics in Contemporary East Asia: Negotiating Multipolarity or Hegemony? (2002)
Tan See Seng

28. What Fear Hath Wrought: Missile Hysteria and The Writing of "America" (2002)
Tan See Seng

29. International Responses to Terrorism: The Limits and Possibilities of Legal Control of Terrorism by Regional Arrangement with Particular Reference to ASEAN (2002)
Ong Yen Nee

30. Reconceptualizing the PLA Navy in Post – Mao China: Functions, Warfare, Arms, and Organization (2002)
Nan Li

31. Attempting Developmental Regionalism Through AFTA: The Domestics Politics – Domestic Capital Nexus (2002)
Helen E S Nesadurai

32. 11 September and China: Opportunities, Challenges, and Warfighting (2002)
Nan Li

33. Islam and Society in Southeast Asia after September 11 (2002)
Barry Desker

34. Hegemonic Constraints: The Implications of September 11 For American Power (2002)
Evelyn Goh

35. Not Yet All Aboard…But Already All At Sea Over Container Security Initiative (2002)
Irvin Lim

36. Financial Liberalization and Prudential Regulation in East Asia: Still Perverse? (2002)
Andrew Walter

37. Indonesia and The Washington Consensus (2002)
Premjith Sadasivan

38. The Political Economy of FDI Location: Why Don't Political Checks and Balances and Treaty Constraints Matter? (2002)
Andrew Walter

39. The Securitization of Transnational Crime in ASEAN (2002)
Ralf Emmers

40. Liquidity Support and The Financial Crisis: The Indonesian Experience (2002)
J Soedradjad Djiwandono

41. A UK Perspective on Defence Equipment Acquisition (2003)
David Kirkpatrick

42. Regionalisation of Peace in Asia: Experiences and Prospects of ASEAN, ARF and UN Partnership (2003)
Mely C. Anthony

43. The WTO In 2003: Structural Shifts, State-Of-Play And Prospects For The Doha Round (2003)
Razeen Sally

44. Seeking Security In The Dragon's Shadow: China and Southeast Asia In The Emerging Asian Order (2003)
Amitav Acharya

45. Deconstructing Political Islam In Malaysia: UMNO'S Response To PAS' Religio-Political Dialectic (2003)
Joseph Liow

46. The War On Terror And The Future of Indonesian Democracy (2003)
Tatik S. Hafidz

47. Examining The Role of Foreign Assistance in Security Sector Reforms: The Indonesian Case (2003)
Eduardo Lachica

48. Sovereignty and The Politics of Identity in International Relations (2003)
Adrian Kuah

49. Deconstructing Jihad; Southeast Asia Contexts (2003)
Patricia Martinez

50. The Correlates of Nationalism in Beijing Public Opinion (2003)
Alastair Iain Johnston

51. In Search of Suitable Positions' in the Asia Pacific: Negotiating the US-China Relationship and Regional Security (2003)
Evelyn Goh

52. American Unilaterism, Foreign Economic Policy and the 'Securitisation' of Globalisation (2003)
Richard Higgott

53. Fireball on the Water: Naval Force Protection-Projection, Coast Guarding, Customs Border Security & Multilateral Cooperation in Rolling Back the Global Waves of Terror from the Sea (2003)
Irvin Lim

54. Revisiting Responses To Power Preponderance: Going Beyond The Balancing-Bandwagoning Dichotomy (2003)
Chong Ja Ian

55. Pre-emption and Prevention: An Ethical and Legal Critique of the Bush Doctrine and Anticipatory Use of Force In Defence of the State (2003)
Malcolm Brailey

56. The Indo-Chinese Enlargement of ASEAN: Implications for Regional Economic Integration (2003)
Helen E S Nesadurai

57. The Advent of a New Way of War: Theory and Practice of Effects Based Operation (2003)
Joshua Ho

58. Critical Mass: Weighing in on Force Transformation & Speed Kills Post-Operation Iraqi Freedom (2004)
Irvin Lim

59. Force Modernisation Trends in Southeast Asia (2004)
Andrew Tan

60. Testing Alternative Responses to Power Preponderance: Buffering, Binding, Bonding and Beleaguering in the Real World (2004)
Chong Ja Ian

61. Outlook on the Indonesian Parliamentary Election 2004 (2004)
Irman G. Lanti

62. Globalization and Non-Traditional Security Issues: A Study of Human and Drug Trafficking in East Asia (2004)
Ralf Emmers

63. Outlook for Malaysia's 11th General Election (2004)
Joseph Liow

64. Not *Many* Jobs Take a Whole Army: Special Operations Forces and The Revolution in Military Affairs. (2004)
Malcolm Brailey

65. Technological Globalisation and Regional Security in East Asia (2004)
J.D. Kenneth Boutin

66. UAVs/UCAVS – Missions, Challenges, and Strategic Implications for Small and Medium Powers (2004)
Manjeet Singh Pardesi

67. Singapore's Reaction to Rising China: Deep Engagement and Strategic Adjustment (2004)
Evelyn Goh

68. The Shifting Of Maritime Power And The Implications For Maritime Security In East Asia (2004)
Joshua Ho

69. China In The Mekong River Basin: The Regional Security Implications of Resource Development On The Lancang Jiang (2004)
Evelyn Goh

70. Examining the Defence Industrialization-Economic Growth Relationship: The Case of Singapore (2004)
Adrian Kuah and Bernard Loo

71. "Constructing" The Jemaah Islamiyah Terrorist: A Preliminary Inquiry (2004)
Kumar Ramakrishna

72. Malaysia and The United States: Rejecting Dominance, Embracing Engagement (2004)
Helen E S Nesadurai

73. The Indonesian Military as a Professional Organization: Criteria and Ramifications for Reform (2005)
John Bradford

74. Martime Terrorism in Southeast Asia: A Risk Assessment (2005)
Catherine Zara Raymond

75. Southeast Asian Maritime Security In The Age Of Terror: Threats, Opportunity, And Charting The Course Forward (2005)
John Bradford

76. Deducing India's Grand Strategy of Regional Hegemony from Historical and Conceptual Perspectives (2005)
Manjeet Singh Pardesi

77. Towards Better Peace Processes: A Comparative Study of Attempts to Broker Peace with MNLF and GAM (2005)
S P Harish

78. Multilateralism, Sovereignty and Normative Change in World Politics (2005)
Amitav Acharya

79. The State and Religious Institutions in Muslim Societies (2005)
Riaz Hassan

80. On Being Religious: Patterns of Religious Commitment in Muslim Societies (2005)
Riaz Hassan

81. The Security of Regional Sea Lanes (2005)
Joshua Ho

82. Civil-Military Relationship and Reform in the Defence Industry (2005)
Arthur S Ding

83. How Bargaining Alters Outcomes: Bilateral Trade Negotiations and Bargaining Strategies (2005)
Deborah Elms

84. Great Powers and Southeast Asian Regional Security Strategies: Omni-enmeshment, Balancing and Hierarchical Order (2005)
Evelyn Goh

85. Global Jihad, Sectarianism and The Madrassahs in Pakistan (2005)
Ali Riaz

86. Autobiography, Politics and Ideology in Sayyid Qutb's Reading of the Qur'an (2005)
Umej Bhatia

87. Maritime Disputes in the South China Sea: Strategic and Diplomatic Status Quo (2005)
Ralf Emmers

88. China's Political Commissars and Commanders: Trends & Dynamics (2005)
Srikanth Kondapalli

89. Piracy in Southeast Asia New Trends, Issues and Responses (2005)
Catherine Zara Raymond

90. Geopolitics, Grand Strategy and the Bush Doctrine (2005)
Simon Dalby

91. Local Elections and Democracy in Indonesia: The Case of the Riau Archipelago (2005)
Nankyung Choi

92. The Impact of RMA on Conventional Deterrence: A Theoretical Analysis (2005)
Manjeet Singh Pardesi

93 Africa and the Challenge of Globalisation (2005)
Jeffrey Herbst

94 The East Asian Experience: The Poverty of 'Picking Winners (2005)
Barry Desker and Deborah Elms

95 Bandung And The Political Economy Of North-South Relations: Sowing The Seeds For Revisioning International Society (2005)
Helen E S Nesadurai

96 Re-conceptualising the Military-Industrial Complex: A General Systems Theory Approach (2005)
Adrian Kuah

97 Food Security and the Threat From Within: Rice Policy Reforms in the Philippines (2006)
Bruce Tolentino

98 Non-Traditional Security Issues: Securitisation of Transnational Crime in Asia (2006)
James Laki

99 Securitizing/Desecuritizing the Filipinos' 'Outward Migration Issue'in the Philippines' Relations with Other Asian Governments (2006)
José N. Franco, Jr.

100 Securitization Of Illegal Migration of Bangladeshis To India (2006)
Josy Joseph

101 Environmental Management and Conflict in Southeast Asia – Land Reclamation and its Political Impact (2006)
Kog Yue-Choong

102 Securitizing border-crossing: The case of marginalized stateless minorities in the Thai-Burma Borderlands (2006)
Mika Toyota

103 The Incidence of Corruption in India: Is the Neglect of Governance Endangering Human Security in South Asia? (2006)
Shabnam Mallick and Rajarshi Sen

104 The LTTE's Online Network and its Implications for Regional Security (2006)
Shyam Tekwani

105 The Korean War June-October 1950: Inchon and Stalin In The "Trigger Vs Justification" Debate (2006)
Tan Kwoh Jack

106 International Regime Building in Southeast Asia: ASEAN Cooperation against the Illicit Trafficking and Abuse of Drugs (2006)
Ralf Emmers

107 Changing Conflict Identities: The case of the Southern Thailand Discord (2006)
S P Harish

108 Myanmar and the Argument for Engagement: *A Clash of Contending Moralities?* (2006)
Christopher B Roberts

109 TEMPORAL DOMINANCE (2006)
Military Transformation and the Time Dimension of Strategy
Edwin Seah

110 Globalization and Military-Industrial Transformation in South Asia: An Historical Perspective (2006)
Emrys Chew

111 UNCLOS and its Limitations as the Foundation for a Regional Maritime Security Regime (2006)
Sam Bateman

112 Freedom and Control Networks in Military Environments (2006)
Paul T Mitchell

113 Rewriting Indonesian History The Future in Indonesia's Past (2006)
Kwa Chong Guan

114 Twelver Shi'ite Islam: Conceptual and Practical Aspects (2006)
Christoph Marcinkowski

115 Islam, State and Modernity : Muslim Political Discourse in Late 19th and Early 20th century India (2006)
Iqbal Singh Sevea

116 '*Voice of the Malayan Revolution*': The Communist Party of Malaya's Struggle for Hearts and Minds in the 'Second Malayan Emergency' (1969-1975) (2006)
Ong Wei Chong

117 "From Counter-Society to Counter-State: Jemaah Islamiyah According to PUPJI" (2006)
Elena Pavlova

118 The Terrorist Threat to Singapore's Land Transportation Infrastructure: A Preliminary Enquiry (2006)
Adam Dolnik

119 The Many Faces of Political Islam (2006)
Mohammed Ayoob

120 Facets of Shi'ite Islam in Contemporary Southeast Asia (I): Thailand and Indonesia (2006)
Christoph Marcinkowski

121 Facets of Shi'ite Islam in Contemporary Southeast Asia (II): Malaysia and Singapore (2006)
Christoph Marcinkowski

122 Towards a History of Malaysian Ulama (2007)
Mohamed Nawab

123 Islam and Violence in Malaysia (2007)
Ahmad Fauzi Abdul Hamid

124	Between Greater Iran and Shi'ite Crescent: Some Thoughts on the Nature of Iran's Ambitions in the Middle East *Christoph Marcinkowski*	(2007)
125	Thinking Ahead: Shi'ite Islam in Iraq and its Seminaries (hawzah 'ilmiyyah) *Christoph Marcinkowski*	(2007)
126	The China Syndrome: Chinese Military Modernization and the Rearming of Southeast Asia *Richard A. Bitzinger*	(2007)
127	Contested Capitalism: Financial Politics and Implications for China *Richard Carney*	(2007)
128	Sentinels of Afghan Democracy: The Afghan National Army *Samuel Chan*	(2007)
129	The De-escalation of the Spratly Dispute in Sino-Southeast Asian Relations *Ralf Emmers*	(2007)
130	War, Peace or Neutrality:An Overview of Islamic Polity's Basis of Inter-State Relations *Muhammad Haniff Hassan*	(2007)
131	Mission Not So Impossible: The AMM and the Transition from Conflict to Peace in Aceh, 2005–2006 *Kirsten E. Schulze*	(2007)
132	Comprehensive Security and Resilience in Southeast Asia: ASEAN's Approach to Terrorism and Sea Piracy *Ralf Emmers*	(2007)
133	The Ulama in Pakistani Politics *Mohamed Nawab*	(2007)
134	China's Proactive Engagement in Asia: Economics, Politics and Interactions *Li Mingjiang*	(2007)
135	The PLA's Role in China's Regional Security Strategy *Qi Dapeng*	(2007)
136	War As They Knew It: Revolutionary War and Counterinsurgency in Southeast Asia *Ong Wei Chong*	(2007)
137	Indonesia's Direct Local Elections: Background and Institutional Framework *Nankyung Choi*	(2007)
138	Contextualizing Political Islam for Minority Muslims *Muhammad Haniff bin Hassan*	(2007)
139	Ngruki Revisited: Modernity and Its Discontents at the Pondok Pesantren al-Mukmin of Ngruki, Surakarta *Farish A. Noor*	(2007)
140	Globalization: Implications of and for the Modern / Post-modern Navies of the Asia Pacific *Geoffrey Till*	(2007)
141	Comprehensive Maritime Domain Awareness: An Idea Whose Time Has Come? *Irvin Lim Fang Jau*	(2007)
142	Sulawesi: Aspirations of Local Muslims *Rohaiza Ahmad Asi*	(2007)

143	Islamic Militancy, Sharia, and Democratic Consolidation in Post-Suharto Indonesia *Noorhaidi Hasan*	(2007)
144	Crouching Tiger, Hidden Dragon: The Indian Ocean and The Maritime Balance of Power in Historical Perspective *Emrys Chew*	(2007)
145	New Security Dimensions in the Asia Pacific *Barry Desker*	(2007)
146	Japan's Economic Diplomacy towards East Asia: Fragmented Realism and Naïve Liberalism *Hidetaka Yoshimatsu*	(2007)
147	U.S. Primacy, Eurasia's New Strategic Landscape,and the Emerging Asian Order *Alexander L. Vuving*	(2007)
148	The Asian Financial Crisis and ASEAN's Concept of Security *Yongwook RYU*	(2008)
149	Security in the South China Sea: China's Balancing Act and New Regional Dynamics *Li Mingjiang*	(2008)
150	The Defence Industry in the Post-Transformational World: Implications for the United States and Singapore *Richard A Bitzinger*	(2008)
151	The Islamic Opposition in Malaysia:New Trajectories and Directions *Mohamed Fauz Abdul Hamid*	(2008)
152	Thinking the Unthinkable: The Modernization and Reform of Islamic Higher Education in Indonesia *Farish A Noor*	(2008)
153	Outlook for Malaysia's 12th General Elections *Mohamed Nawab Mohamed Osman, Shahirah Mahmood and Joseph Chinyong Liow*	(2008)
154	The use of SOLAS Ship Security Alert Systems *Thomas Timlen*	(2008)
155	Thai-Chinese Relations:Security and Strategic Partnership *Chulacheeb Chinwanno*	(2008)
156	Sovereignty In ASEAN and The Problem of Maritime Cooperation in the South China Sea *JN Mak*	(2008)
157	Sino-U.S. Competition in Strategic Arms *Arthur S. Ding*	(2008)
158	Roots of Radical Sunni Traditionalism *Karim Douglas Crow*	(2008)
159	Interpreting Islam On Plural Society *Muhammad Haniff Hassan*	(2008)
160	Towards a Middle Way Islam in Southeast Asia: Contributions of the Gülen Movement *Mohamed Nawab Mohamed Osman*	(2008)

161	Spoilers, Partners and Pawns: Military Organizational Behaviour and Civil-Military Relations in Indonesia *Evan A. Laksmana*	(2008)
162	The Securitization of Human Trafficking in Indonesia *Rizal Sukma*	(2008)
163	The Hindu Rights Action Force (HINDRAF) of Malaysia: Communitarianism Across Borders? *Farish A. Noor*	(2008)
164	A Merlion at the Edge of an Afrasian Sea: Singapore's Strategic Involvement in the Indian Ocean *Emrys Chew*	(2008)
165	Soft Power in Chinese Discourse: Popularity and Prospect *Li Mingjiang*	(2008)
166	Singapore's Sovereign Wealth Funds: The Politcal Risk of Overseas Investments *Friedrich Wu*	(2008)