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**Current Situation and Outlook for Economic and Technical
Cooperation among Developing Countries in APEC :
Singapore Cooperation toward
Neighbouring Asian Developing Countries**

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Current Situation and Outlook for Economic and Technical Cooperation among Developing Countries in APEC : Singapore Cooperation toward Neighbouring Asian Developing Countries

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1. Introduction

There are currently 18 countries and regions in APEC. In the fifth APEC summit conference held in Vancouver in November 1997, it was decided to admit Vietnam, Peru, and Russia as new members in November 1998. This expanded APEC will form a wide area association for economic cooperation spanning regions from North and South America to Asia, of course, and further on to Eurasia. A inhomogeneous economic cooperative comprised of both advanced and developing countries, APEC has as its objective the liberalization and facilitation of trade and investment for the further economic development of the region. Another important aspect of APEC is its economic and technical cooperation schemes for the developing countries in the region (Note 1). In particular, the Vancouver conference focused on the economic turmoil of the Asian countries due to the currency crisis and stressed the importance of economic and technical cooperation in APEC. Malaysia, which will host the APEC summit conference scheduled to be held in November 1998, has already declared its intention of making economic and technical cooperation the keynote theme of the conference rather than liberalization of trade and investment (Note 2).

In this paper, I would like to take up the economic cooperation provided by Singapore to the developing countries in the economic and technical cooperation in APEC, taking note of the recent rise of the "more advanced South" relatively advanced in economic development as aid donors, so as to examine the current situation and future of economic and technical

cooperation among the developing countries.

Below, I will discuss 2. Cooperation of Singapore with the developing countries, 3. Cooperation provided by Singapore to the developing countries in partnership with international organizations or the advanced countries (triangular cooperation), and 4. Trends in direct investment from Singapore to the developing countries.

2. Cooperation Provided by Singapore to the Developing Countries

On January 1, 1996, Singapore was stripped of its "Part 1" status as a developing country or region in the list of recipients of the Organization for Economic Cooperation and Development (OECD) and elevated to "Part 2" status as a country or region in transition to an advanced country of the list. Along with this, a problem arose over the proper position of Singapore. Then Minister of Trade and Industry Yeo Cheow Tong revealed that he had confirmed through an inquiry from the Singaporean government to the OECD that Singapore's status was not that of an advanced country, but "a more advanced developing country" (Note 4). Along with this elevation in status, Singapore became more aware of the need for providing economic cooperation to developing countries, in particular neighbouring Asian developing countries, than ever before. As a specific method for cooperation, Prime Minister Goh Chok Tong announced that he believed the main area in which Singapore could play a leading role in the Asian countries and regions was human resource development (Note 5).

Cooperation in Training of Manpower in Neighbouring Asian Countries

Singapore is a city state with a population of 3 million and an area of 6 million square meters, so suffers from a structural problem of insufficient domestic manpower. From the viewpoint of alleviating the shortage in manpower, in particular, the shortage of skilled workers, (1) National Development Minister and Second Minister for Foreign Affairs Lim Hng Kiang announced at a press conference on November 9, 1997 after the end of the fourth Singapore-Indonesia Youth Forum held in Bogor, that the Singaporean government would provide not only employment opportunities, but also training opportunities in

Singapore to young Indonesians (Note 6) and (2) that the Singaporean

government would provide assistance for the establishment of manpower training centers in other countries.

Regarding assistance by the Singaporean government for the establishment of manpower training centers in other countries, in November 1997, the Singapore Construction Industry Development Board (CIDB) announced it would provide cooperation in setting up overseas training centers in the field of construction under a 10-year plan entitled "Training 21" (Note 7). Under this program, the Singaporean government will provide cooperation for training centers in other countries with the aim of inducing trained foreign nationals to work in Singapore. Securing manpower is a life and death issue for the construction industry in Singapore, which is particularly short of workers. The plan calls for a first stage of screening foreign workers in their home countries and raising their level of technical expertise at training centers established there, a second stage of training 30,000 workers and 15,000 supervisors, and a third stage of certifying 100,000 skilled workers and raising the ratio of skilled workers in the Singapore construction labor market to 30 percent.

Further, to contribute to the industrialization of Vietnam, the Singapore and Vietnamese governments signed a memorandum in August 1997 on the establishment of a Vietnam-Singapore Technical training center in Bing Duong, province of Vietnam (Note 8). The project is capitalized at US\$4.5 million, of which US\$3 million is to be put up by the Singaporean government. The objective of the center is to train skilled workers in the fields of mechanical and electrical repair and the manufacture of electrical products. To improve the technical expertise of the Vietnamese instructors attached to the center etc., the instructors are scheduled to be given short-term training in Singapore lasting one- to five-months.

The Singaporean government is also engaged in projects for training of manpower for the tourism industry based on a bilateral economic cooperation agreement concluded with the Myanmar government in June 1995 (Note 9). Specifically, the Singapore Tourist Promotion Board (STPB) has been sending experts in the field of tourism to Myanmar since June 1996 and is training hotel employees there. This is a

three-year project lasting from fiscal 1996 to fiscal 1998. The Singapore Hotel Association

Training and Education Centre (SHATEC) sends one or two expert instructors at a time. In the first course in June 1996, the center trained 50 hotel workers in Myanmar. Future courses are scheduled to train workers in the Myanmar tourism industry in bar operation, human resource development, hotel management, housekeeping and communication skills, etc.

The Singaporean government is also encouraging foreign investment by local companies. One of the means by which it is doing this is its "regionalization training scheme" under which it provides lateral support for training in Singapore of foreign workers in overseas projects so as to facilitate those projects. The scheme is under the direction of the Economic Development Board (EDB) and facilitates the entry of foreign workers into Singapore, pays subsidies to offset the employment tax, and assists training for up to six months.

Singapore, however, is being fast caught up with by the neighbouring Asian countries and along with this tends to be strongly concerned about a possible drop in its international competitiveness. How much it is willing to budget and implement for cooperation in training manpower in neighbouring Asian countries in the future will therefore be interesting to watch.

3. Cooperation Provided by Singapore to the Developing Countries in Partnership with International Organizations or Advanced Countries

Singapore is engaged in joint projects with international organizations and advanced countries under which it is training a total of 2000 government employees and businessmen a year from developing countries in the Asia-Pacific, Africa, and Latin America (The Straits Times, December 13, 1996) (Note 10).

3.1. Third Country Cooperation Provided by Singapore to Developing Countries in Partnership with International Organizations

The Singaporean government agreed to provide third country cooperation for training in Singapore in partnership with the World Bank, the World Trade Organization

(WTO), and the International Monetary Fund (IMF) starting 1996. These projects are outlined below:

3.1.1. World Bank

In September 1996, the Singaporean government signed an agreement on a third country training program with the World Bank. This was the first time that the World Bank concluded an agreement of this type with a single government. Under this plan, each year, Singapore and the World Bank have set up several training courses for third country participants in Singapore. The program costs S\$1 million a year - half of which is borne by each side. The trainees are selected by the World Bank. In the first course started in 1996, training was provided on port management, finance and banking, productivity, information technology, and the environment.

3.1.2. World Trade Organization

In December 1996, Foreign Minister S. Jayakumar of Singapore and Secretary General Ruggiero of the WTO signed a memorandum on a joint training program on specialized trade know-how for the developing countries of the WTO. This agreement extends over two years and provides training in trade policies and export promotion to personnel from the developing countries. The courses are given in Singapore and are scheduled to cover 20 to 25 persons at a time. Participation from 10 to 12 developing countries is expected. This project apparently will be jointly funded by Singapore and the WTO.

3.1.3. International Monetary Fund

Finance Minister Richard Hu of Singapore and Managing Director Michel Camdessus of the IMF signed a memorandum on September 22, 1997 for the joint establishment of a regional training institute in Singapore for providing training in finance and fiscal affairs in the Asian region. The newly established regional training institute is scheduled to start operating in May 1998. This institute plans to offer 12 courses, including macroeconomic management, fiscal affairs, foreign exchange transactions, public finance,

bank supervision, and statistics to government officials from the developing countries in primarily the Asia-Pacific.

3.2. Cooperation Provided by Singapore to Developing Countries in Partnership with Advanced Countries

3.2.1. Third Country Assistance by Singapore in Cooperation with Japan

Third country assistance by Singapore in cooperation with Japan started with a request by Prime Minister Goh Chok Tong at the time of a visit by then Prime Minister Murayama in August 1994. It started in the form of promotion of cooperation in third country investment between the two countries. In September of the following year, 1995, the first Japan-Singapore Symposium was held in Tokyo. In the second Japan-Singapore Symposium of November 1996, a subcommittee on business and economic cooperation in Asia announced an "idea-packed action agenda" which pointed to the importance of a partnership between Japan and Singapore in technical assistance to third countries, development of infrastructure, energy, power generation and the environment, human resource development, and Mekong River Basin development.

There have been further developments since 1997 as well. During the visit by Prime Minister Hashimoto to Singapore in January 1997, agreement was reached on establishment of a Japan-Singapore Business Council for promotion of business collaboration in Asia. In May, Foreign Minister, S. Jayakmar visited Japan and signed a memorandum on a "Japan-Singapore Partnership Program for the 21st Century". In this program, a framework was established for technical cooperation to third countries in the Asia-Pacific, Africa, etc. based on an equal partnership of the two countries. In August, Prime Minister Goh visited Japan to attend the first meeting of the Business Council. Prime Minister Goh declared his belief that Singapore could assist Japanese companies expand their business in Asia through bilateral cooperation in the Business Council.

Singapore considers that it can assist Japanese companies in the following ways: (1) Surveying the region to identify projects, (2) Arranging these projects, and (3) Helping Japanese

companies develop them (Note 11).

Note that Singapore has also agreed to establish third country training programs (TCTP) with countries other than Japan such as Australia, the U.K., and Luxembourg.

3.2.2. Assistance to South by Japanese Government Organizations using “More Advanced South”

The Singaporean government has been providing training to personnel from neighbouring Asian countries in Singapore together with Japanese government organizations and foundations for several years now. In this section, a look will be taken at the activities of the AOTS (Association for Overseas Technical Scholarship) in relation to the state of economic cooperation as seen from the Japanese side and allusion made to new styles of cooperation.

The AOTS, established back in 1959, currently offers technical training to students from the developing countries in Japan and engages in overseas training projects where it sends Japanese instructors to the developing countries etc. for on-site group training (Note 12). The AOTS has participated in 430 overseas training projects in the 20 years from fiscal 1977 to 1996 in which it provided training to a total of 24, 144 trainees in 49 countries.

The main style of economic cooperation offered by the AOTS used to be a "normal" style of a bilateral donor-recipient relationship between Japan and the developing country. In the past few years, however, there have been many "third country type" cooperative projects where the economic cooperation is provided in third countries other than Japan. According to AOTS officers, these third country type overseas training courses come in three types: (1) Training courses provided in developing countries and participated in by trainees from the host countries and nearby developing countries, (2) Training courses provided in developing countries ("more advanced South" in most cases) and participated in by trainees from only the nearby developing countries, and (3) Training courses provided in an advanced country and participated in by trainees from nearby developing countries (Note 13).

As shown in Table 1, the AOTS started third country type training projects in fiscal 1994. In fiscal 1997, 16 courses were of the third country type. Of these, six were offered in Singapore. Further, from fiscal 1994 to 1996, its third country type overseas training projects

provided training to 1,685 students - of which 277 were trained in Singapore.

Table 1 Number of Courses and Trainees in AOTS Overseas Training Projects

	FY1994		FY1995		FY1996		FY1997(P)		Total (FY1977 to 1996)	
	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees	Courses	Trainees
Normal Type	53	3,104	51	2,828	50	3,007	51	n.a	368	n.a
Third Country Type	13 (3)	497 (81)	14 (3)	500 (94)	16 (3)	688 (102)	16 (6)	n.a (141)	62 (15)	n.a (418)
Total	66	3,601	65	3,328	66	3,695	67	n.a	430	n.a

Note: Figures in parentheses indicate Singapore
Source: Prepared by author from AOTS materials

A look at the countries hosting third country type projects in fiscal 1996 shows Singapore in the lead with three courses, followed by Malaysia (two courses), Thailand (two courses). Courses were also provided in the "less advanced South" countries such as Indonesia, the Philippines, India, Nepal, and Tanzania. Note that courses were also provided in the advanced countries of Australia and Austria. Regionally, it can be seen that most courses were provided in the Asia-Pacific (Table 2).

A look at the training provided in Singapore in the same year shows that the Singapore National Productivity Association (NPA) was the implementing entity (cooperating company) in each case. The three courses provided training to 102 trainees of which 63 came from Vietnam, 17 from Myanmar, 15 from China, four from Cambodia, and three from Laos. This shows the strong position of Singapore as a training center for participants from Indochina and China. While the training courses provided in other developing countries mostly train students from the same host countries, the training courses provided in Singapore, like those in the advanced countries of Australia and Austria, trained only foreign students, i.e., there was not even one participant from Singapore. Note that there has been an increasing trend for private companies to provide training in Singapore for workers of affiliated companies in nearby Asian countries on their own without using the above schemes (Note 14).

Table2 AOTS Third Country Type Training Projects in FY1996

Host Country	Training provided	No. of trainees	Nationalities of trainees
Indonesia	CAD / CAM technology	42	Indonesia 40, Malaysia 2
Malaysia	After-sales service technology for room air-conditioners	9	Indonesia 5, Thailand 2, Vietnam and Myanmar 1 each
	PCCM for Asian managers	32	Malaysia 15, Bangladesh 7, India 5, Indonesia, Sri Lanka 2 each, Pakistan 1
Philippines	Preventive maintenance techniques for power stations	81	Philippines 80, Vietnam 1
Singapore	Factory management	37	Vietnam 24, China 7, Myanmar 5, Cambodia 1
	Personnel management	32	Vietnam 21, Myanmar 6, China 4, Cambodia 1
	Sales and marketing	33	Vietnam 18, Myanmar 6, China 4, Laos 3, Cambodia 2
Thailand	Sewage system and industrial wastewater processing	31	Thailand 12, Cambodia 5, Vietnam and Philippines 4 each, Indonesia 3, Laos 2, Myanmar 1
	Welding techniques	63	Thailand 52, Vietnam, Indonesia 3 each, Malaysia 2, Philippines 1
Australia	Automobile maintenance techniques	22	Papua New guinea 5, Solomon Islands and Fiji 4 each, Vanuatu, Western Samoa, and Tonga 3 each
APEC member countries total		393	
India	Preventive maintenance techniques for power stations	103	India 101, Nepal 2
Nepal	Hotel management and service techniques	65	Nepal 63, Bangladesh 2
Tanzania	Telecommunication network planning	62	Tanzania 49, Kenya 4, Angola and Ethiopia 2 each, Eritria, Zambia, Swaziland, Malawi, Mozambique 1 each
Australia	Maintenance techniques for electronic equipment	20	Rumania and Bulgaria 5 each, Poland 4, Czech Republic 3, Slovakia 2, Hungary 1
	Maintenance techniques for consumer electronics	20	Kazakhstan 10, Uzbekistan 4, Azerbaijan and Latvia 2 each, Georgia and Turkmenistan 1 each
Bulgaria	Maintenance in sewing factories	25	Bulgaria 22, Macedonia 3
Total	16	688	

Source: Prepared by the author from AOTS materials.

Further, as shown in Table 3, the AOTS gave six overseas training courses (as of December 17, 1997) in Singapore in fiscal 1997. The Singapore Air Academy and the Singapore Trade Training Center started new third country training programs (CLM project). Like in fiscal 1996, in fiscal 1997 as well the trainees came from Indochina and China, that is, 79 from Vietnam, 26 from Myanmar, 19 from China, nine from Laos, and eight

from Cambodia.

Table 3 AOTS Third Country Type Training Projects in Singapore in FY1997

Training provided	No. of trainees	Days	Nationalities of trainees	Cooperating company
Sales and marketing	29	12	Vietnam 18, Myanmar 6, China 4, Cambodia 1	Singapore National Productivity Association
Productivity and quality improvement techniques	26	12	Vietnam 18, China 4, Myanmar and Laos 2 each	Singapore National Productivity Association
Factory management	28	12	Vietnam 20, China and Myanmar 4 each	Singapore National Productivity Association
Airport management	8	40	Vietnam, Cambodia, Myanmar, and Laos 2 each	Singapore Air Academy (CLM Project)
Personnel management	30	12	Vietnam 16, China and Myanmar 7 each	Singapore National Productivity Association
Export promotion	20	10	Vietnam, Cambodia, Myanmar, and Laos 5 each	Singapore Trade Trading Center (CLM project)

On the other hand, starting in fiscal 1996, the Japanese Ministry of International Trade and Industry has commissioned the AOTS to provide training to the developing countries of APEC on industrial property rights, standardization, measurement, etc. Economic cooperation projects covering only APEC developing countries are also under way.

3.2.3. Assistance by Singapore to Developing Countries during the Asian Currency Crisis

(i) Assistance to Thailand

In July 1997, the Thai baht was devalued. The Thai government requested assistance from the IMF for restructuring its economy and drew up a program for economic readjustment based on deliberations with the IMF. Receiving this, the IMF approved US\$4 billion in loans in August for assisting Thailand's economic restructuring. The crisis caused by the plunge in the Thai baht spread to Malaysia, Indonesia, and other Asian countries as well. The plunge in currencies in the region may trigger turmoil in the Asian economy as a whole - which has achieved high growth through the infusion of foreign capital -, so Singapore also decided to provide US\$1 billion in co-financing for Thailand.

Table 4 Breakdown of International Aid Package to Thailand

(Unit: US\$ billion)

IMF	40	Japan	40	Hong Kong	10	Brunei	5
World Bank	15	Australia	10	Malaysia	10	Indonesia	5
ADB	12	China	10	Singapore	10	South Korea	5
(International organization total: 67)		(Asia- Pacific total: 105)					
Total		US\$ 17.2 billion					

Source : Japan Export -Import Bank

(ii) Assistance to Indonesia

Indonesia, which scrapped its system of managed floating exchange rates on August 14, 1997, saw its currency nosedive in the same way as Thailand. On October 10, it began studying the introduction of funds from the IMF etc. to protect the rupiah. Singapore, which has close economic ties with Indonesia, saw its stocks and currency fall sharply due to the depreciation of the rupiah. Accordingly, Prime Minister Goh Chok Tong visited Jakarta on October 21 to try to help alleviate the Indonesian economic crisis and strengthen its foreign currency reserves. The Prime Minister held talks with President Suharto of Indonesia and decided to provide emergency financing to Indonesia. This emergency aid was decided on before the international aid from the IMF etc. The stress taken by Singapore on assisting Indonesia can be seen from this as well. On January 13, 1998, further, Prime Minister Goh visited Jakarta again for further talks with President Suharto and announced US\$5 billion in additional loans.

Note that Finance Minister Richard Hu declared on November 19, 1997 that the US\$5 billion in financial aid provided to Indonesia to deal with its currency crisis was from funds already budgeted for subsidies and financing and had no effect on Singapore's Central Provident Fund (CPF) or its foreign currency reserves. He clarified the terms of the loans such as that the aid was a commercial loan to be repaid in five years (Note 15).

Table 5 Rupiah Defense Line

(Unit: US\$ 100 million)

Funds from Indonesia foreign currency reserves		5 0
IMF Package	IMF	1 0 0
	World Bank	4 5
	ADB	3 5
	Subtotal	1 8 0
Bilateral aid frameworks	Japan	5 0
	Singapore	5 0
	U.S.	3 0
	Malaysia	1 0
	Australia	n.a
	China (Hong Kong)	1 2
	Brunei	1 2
	(Subtotal / only portion finalized in value)	1 6 4
Total (only portion finalized in value)		3 9 4

Source : JETRO Jakarta Center , Indonesia no Genjo to Point (Current State and Points in Indonesia)

4. Trends in Direct Investment from Singapore to the Developing Countries

In 1996, global foreign direct investment (based on international balance of payments data) fell 0.7 percent from the previous year to US\$331.9 billion - the first drop in the four years since 1992. On the other hand, direct world investment in the APEC countries (Note 16) rose 10.7 percent from the previous year in 1996 to reach US\$249.7 billion or more than double the figure of 1990 (US\$121.4 billion).

A look at the direct investment in APEC by investors shows that in 1996 the NIEs increased investment 11.3 percent from the previous year to US\$46.18 billion, while the ASEAN 4 increased their investment by 70.0 percent from the previous year to US\$5.764 billion.

Here, I would like to explain the state of foreign investment by Singapore in the member countries of APEC.

4.1. Rise of Singapore as an Investor

Deputy Prime Minister Lee Hsien Loong stated in May 1996 at a second international conference on the future of Asia held in Tokyo (sponsored by the Nihon Keizai Shimbun) that the NIEs are now as a single group competing with Japan for the honor of being the biggest

investor in the ASEAN countries and would sooner or later surpass Japan (Note 17). The Asian NIEs, that is, South Korea, Taiwan, Hong Kong, and Singapore, began foreign investment in the mid-1980s following the earlier starting Japan with their intermediate level technical expertise and current account surplus available for investment.

Among the Asian NIEs, Singapore was relatively late in foreign investment and did not start investing overseas in earnest until the early 1990s. In mid-1993, Senior Minister Lee Kuan Yew stated that overseas investment was one of the two wings by which the Singapore economy would take off and that the lack of aggressive investment by Singaporeans in new regions with abundant business chances such as the Chinese special economic zones was a problem and thereby prodded Singaporean companies into investing overseas. The government has repeatedly stressed the need for expansion overseas. It has set up a commission for promotion of overseas business and has been offering various incentives for overseas investment based on the studies of the commission such as tax and fiscal breaks and subsidies and the extension of loans.

Foreign direct investment by Singaporean companies has been rising in recent years and as of the end of 1995 reached a cumulative (total of acquisition of shares and equity, reinvestment of profit, and loans of funds) S\$46,240.2 million or about 3.5 times the scale of the S\$13,621.7 million of the end of 1990. Further, the number of subsidiaries, affiliates, and branches established overseas in the same period rose from 2,391 to 5,159 (Table 6).

Table 6 Trends in Foreign Direct Investment of Singapore

(Unit: S\$ million, companies)

	1990	1991	1992	1993	1994	1995
Cumulative foreign direct investment	16,877.9	18,607.5	22,442.5	28,159.7	38,372.7	46,240.2
Number of companies established overseas	2,391	2,724	2,954	3,174	4,709	5,159
Average investment (per case)	7.1	6.8	7.6	8.9	8.1	9.0

Note: Figures for 1990 to 1993 do not include investment in the fields of banking, finance, and insurance.

Source: Singapore Department of Statistics, Singapore's Investment Abroad 1990-1993 and Foreign Direct Investment Activities of Singapore Companies, 1995.

On the other hand, a look at the flow of foreign direct investment (based on

international balance of payments data) shows that Singapore has been increasing its flow since 1991. The flow reached US\$4.805 billion in 1996 or like in 1995 higher than that of South Korea and Taiwan (Table 7).

Table 7 Flow of Foreign Direct Investment (Based on International Balance of Payments) (Unit: US\$ million, %)

	1990	1991	1992	1993	1994	1995	1996
U. S.	29,950	31,380	42,660	77,950	69,260	86,740	87,810
EU	132,090	106,115	109,111	97,418	119,056	161,490	153,984
Japan	50,500	31,620	17,390	13,830	18,090	22,510	23,440
Asia	9,309	5,160	8,639	10,625	11,403	13,386	16,117
South Korea	1,056	1,500	1,208	1,361	2,524	3,529	4,424
Taiwan	5,249	2,054	1,967	2,611	2,640	2,983	3,843
Singapore	2,034	526	1,317	2,020	3,746	3,988	4,805
Thailand	140	167	147	233	493	886	931
China	830	913	4,000	4,400	2,000	2,000	2,114
Latin America	673	1,137	515	924	1,963	2,081	1,601
World	233,718	193,025	192,150	226,066	262,161	334,231	331,870

Notes: (1) "EU" means 13 member states other than Greece and Luxembourg.

(2) "Asia" means South Korea, Taiwan, Singapore, Thailand, and China.

(3) "Latin America" means Brazil and Chile. Figures for Brazil in 1996 are international balance of payment statistics of local central bank.

(4) Total figures for world are JETRO estimates.

Source: Prepared by JETRO from IFS (IMF) , World Investment Report 1997(UNCTAD) and local statistics.

On the other hand, a look at the foreign investment made by Singaporean companies by country shows that investment concentrates in the developing countries of Asia and has been rising sharply in recent years. Based on value (1995), the biggest recipient of the investment was Malaysia at S\$9,715.9 million, followed by Hong Kong (S\$6,268.3 million), Indonesia (S\$4,030.9 million), the U.K. (S\$3,296.5 million), and China (S\$2,968.2 million). Investment in Vietnam, Cambodia, and Myanmar has also been steadily rising. Judging from statistics on receipts of investment of other countries, Singapore has been appearing among the top investors across the board. The depth of the relations in investment appears to be closely related to the cooperation in training of manpower by Singapore seen earlier.

A look at the countries or regions invested in by Singaporean companies by industry shows that investment is high in the financial sector and low in the manufacturing sector in Europe,

North America, and Oceania, but is low in the financial sector and high in the manufacturing sector in Asia. Further, the weight of investment in the real estate sector is high in Asia and Oceania due to the geographic proximity of Singapore etc., but is low in Europe and North America.

Note that the Singaporean government is developing Singapore style industrial estates in Indonesia, China, India, and Vietnam as launch pads for expansion of business overseas and has been working to attract local Singaporean companies of course and also companies from advanced countries like Japan there (note 18). Through use of these Singapore style industrial estates, the Singaporean government has been steadily enhancing its own status in the economies of Asia.

Thailand and the Philippines, which Singapore used to have relatively little economic exchange with, began being emphasized as places for investment in 1997. In particular, Prime Minister Goh led a mission of about 60 businessmen to Thailand on June 16, 1997 which signed agreements on cooperative projects of the two governments covering the establishment of an industrial park for joint ventures of companies between the two countries, human resource development, etc. Among these, the project for the establishment of an industrial park in Thailand aims to construct the biggest industrial estate in all of Thailand in the coastal industrial belt at the Southeast of Bangkok and will cost a total of US\$700 million. In the project for human resource development, the two countries have called for emphasis on training CLM experts (Note 19).

Note that in 1996 the ASEAN 4 invested a total of US\$5,764 billion in the APEC members. Among these, Malaysia invested US\$3,548 billion, while Thailand invested US\$1,942 billion (see Table 8). The biggest destination for the investment by the ASEAN 4 was East Asia, which received US\$4,826 billion. In particular, Indonesia received US\$3,007 billion. After Singapore, therefore, Malaysia and Thailand have been remarkably active in investment in nearby Asian countries.

Table 18

(3) APEC recipients are 14 members not including Hong Kong, New Zealand, Brunei, and Papua New Guinea. APEC investors are 16 members not including Brunei and Papua New Guinea.

Source: JETRO, Hakusho Toshi Hen (White Paper on Investment).

4.2. Third Country Investment Strategy of Japanese Affiliates in Singapore

When then Prime Minister Murayama visited Singapore at the end of August 1994, Prime Minister Goh requested that Japan invest in Singapore's manufacturing sector to help that country strengthen its industrial base. Regarding joint investment in third countries, Prime Minister Goh declared that the best means for strengthening bilateral relations was investment and proposed the promotion of joint investment in the industrial estates which Singapore was building in neighbouring countries, and the creation of a framework for the promotion of third country investment by joint ventures between private companies of the two countries.

In this section, an overview will be given of the investment activities of Japanese manufacturing affiliates in the members of APEC. One of the leading surveys of the situation of activities of Japanese affiliates is the JETRO survey of Japanese manufacturing affiliates in Asia. The survey has been conducted since fiscal 1987. In the 10th one, the fiscal 1996 survey (conducted in November 1996), Japanese affiliates in China, Hong Kong, and India were newly added to those in the ASEAN 5 for the survey. The survey covered operating profits, problems in management, wage levels, trends and plans in procurement of parts, etc. The Japanese manufacturing affiliates were also however asked if they had any strategies for investment in Asia. Here, let us look at just the APEC members.

According to Table 9, the highest percentages of affiliates answering that they had strategies for investment in Asia were those in Hong Kong, 65.8 percent, and Singapore, 61.6 percent. When the affiliates answering they had such strategies were asked about the specific strategies, 49.7 percent answered that they planned to increase production at local production

plants, 45.2 percent that they planned to diversify the items produced at local production plants, 22.1 percent that they planned to move local production plants to third countries (or other regions in the same country), and 19.4 percent that they planned to strengthen local design and R&D capabilities.

A look at the companies indicating that they planned to move local production plants to third countries, a focal point of this article, by country shows that the highest percentage, 33 out of 69 Japanese affiliates giving valid responses, or 47.8 percent, were in Singapore (followed by Malaysia (27.2%), Hong Kong (20.0%), and Thailand (17.9%)).

Looking at the reasons given by the Japanese affiliates in Singapore answering that they planned to move their local production plants to third countries (33 companies), 21 out of the 32 companies giving valid responses (65.6%) indicated that soaring personnel expenses etc. had reduced local price competitiveness. Other reasons were the promising markets in other regions, given by seven companies (21.9%) and the good production environment in other regions or the deteriorating market conditions in the local production site, given by four companies each (12.5%).

Examination of the places to which the Japanese affiliates in Singapore answering that they were planning to shift their local production plants to third countries were scheduled to move, 16 out of the 33 companies giving valid responses (48.5%) mentioned Indonesia, 11 companies (33.3%) Malaysia, four companies (12.1%) Thailand, three companies each (9.1%) India and the Philippines, and two companies each (6.1%) Vietnam and China. Increased investment in the nearby developing countries and regions can therefore be expected in the future.

Table 9 Existence of Asian Investment Strategies by Japanese Manufacturing Affiliates

(Unit: number of companies in upper rows and share (%) in lower rows)

	Thailand	Malaysia	Singapore	Indonesia	Philippines	China	Hong Kong	Total	
Yes	149 50.9	172 49.6	69 61.6	97 50.3	21 33.9	41 56.2	25 65.8	574 51.3	
	Of which, planned to expand volume of production in local production plants	72 49.7	67 41.4	21 30.4	68 71.6	16 76.2	20 50.0	13 52.0	277 49.7
	Of which, planned to diversify items produced at local production plants	70 48.3	78 48.1	26 37.7	50 52.6	8 38.1	13 32.5	7 28.0	252 45.2
	Of which, planned to shift local production plants to third countries	26 17.9	44 27.2	33 47.8	6 6.3	2 9.5	7 17.5	5 20.0	123 22.1
	Of which, planned to diversify local design and R&D functions	32 22.1	31 19.1	12 17.4	13 13.7	5 23.8	8 20.0	7 28.0	108 19.4
	Of which, planned to shift production from Japan or third countries to local production plants	16 11.0	21 13.0	6 8.7	16 16.8	2 9.5	6 15.0	6 24.0	73 13.1
	No	144 49.1	175 50.4	43 38.4	96 49.7	41 66.1	32 43.8	13 34.2	544 48.7

Note: Among the companies answering "yes", there were some which failed to give specific responses about their investment strategies, so the shares do not necessarily equal the "specific investment strategies" divided by the "number of yes answers".

Source: Japan External Trade Organization , Ajia no Nikkei Seizogyo Katsudo Jittai Chosa (1996)
(Survey of Activities of Japanese Manufacturing Affiliates in Asia), December 1997.

4.3. Cooperation in Third Country Investment - Possibility of Cooperation in Third Country Investment Between Japanese and Singaporean companies

The Singaporean government is providing positive support to the expansion of business by Singaporean companies in neighbouring Asian countries under its "Go Regional" policy. At the same time, it is calling for third country investment through joint ventures with foreign

companies, in particular companies of advanced countries such as the western countries and Japan, when expanding business overseas.

JETRO Singapore conducted a questionnaire survey of some local companies about the possibility of third country investment together with Japanese companies in October 1995 with the cooperation of the Singapore Manufacturers Association (SMA, reorganized as Singapore Confederation of Industries in April 1996).

Large Interest of Local Singaporean companies in Cooperation in Third Country Investment with Japanese Companies

Of the 97 local companies responding, 78 (80.4%) replied that they already had experience investing overseas. Among the countries invested in (multiple answers), Malaysia came in first with 44 companies, followed by China with 41, Indonesia with 25, Hong Kong with 15, Thailand with 13, Taiwan with 10, the U.S. with nine, Australia with eight, India with seven, and the Philippines and Vietnam with five each. The large number of companies mentioning investment in China in addition to the geographically close Malaysia and Indonesia deserves note.

Regarding future plans for overseas investment, 67 of the 97 companies (69.1%) indicated that they had plans for overseas investment - much greater than the 17 (17.5%) indicating that they had no such plans and the 13 (13.4%) giving no response. Further, the companies with plans for overseas investment were asked which countries they were considering (multiple answers). China was mentioned most often, by 21 companies, followed by India by 16, Malaysia and Indonesia by 13 each, Vietnam by 12, Japan by eight, Myanmar by seven, the U.S. and Thailand by six each, and the Philippines by four.

Further, when asked if they would be interested in any schemes for promoting third country investment with Japanese companies, 87 out of the 97 companies (89.7%) indicated they would be interested. On the other hand, the comments received from local Singaporean companies indicating interest in third country investment through joint ventures with Japanese companies showed that the local companies expected much from the technical expertise and financial weight of Japanese companies. On the other hand, the local companies themselves

appeared interested in supplying Japanese companies with their superior business networks in Asia, sales know-how, and language capabilities.

Many of the Singaporean companies commented that they wanted to establish business ties with Japanese companies, for example, stating that they were interested in Japanese companies interested in investing in Shanghai, had connections and production plants in Shanghai, and wanted to work with Japanese companies (manufacturer of measuring equipment); that they were very interested in joint ventures with Japanese chemical manufacturers in Asia (trade and wholesaling companies with manufacturing plants in Thailand, Indonesia, and Malaysia); and that they were interested in fields of investment in developing countries in which Japanese technology could be used (electronics manufacturer).

Further, JETRO Singapore conducted a survey on the possibility of third country investment through joint ventures with Singaporean companies from October to November 1995 covering 460 Japanese manufacturing affiliates in Singapore. It received replies from 101 of these (retrieval rate of 22.0%).

JETRO asked the Japanese affiliates in Singapore if they were considering third country investment by joint ventures with Singaporean companies. Of the 101 companies, only six indicated they were. Fifty companies indicated they were not and the remaining 45 indicated they could not give any answer.

Among the companies answering they were considering joint ventures, one commented that there were no major problems in joint ventures with local companies in third countries (electronics manufacturer), but most others pointed to problems such as the difficulty in selection of partners.

The companies answering that they were not considering joint ventures with local Singaporean companies or could not give any answers gave as their reasons problems such as the possibility of loss of the initiative in business control in purchasing prices, dividends, and other areas, the need to take into consideration Chinese thinking, the greater effectiveness of directly tying up with local companies in the third countries rather than establishing a joint venture with Singaporean companies, and the differences in thinking regarding management. Despite the

hopes of the Singaporean government and businesses, Japanese affiliates appear to be cautious about third country investment through joint ventures with local firms.

Note that JETRO Singapore conducted a questionnaire survey of third country investment at the end of March 1994 as well, but an accurate comparison with the findings of the above survey is not possible due to the differences in questions. That earlier survey found, however, that 18 out of the 80 Japanese affiliates (22.5%) considering investment in third countries were considering third country investment with local Singaporean companies. In view of this, it is hard to say that any new mood for cooperation in third country investment through joint ventures with Singaporean companies appeared among Japanese companies in the year and a half following the survey.

In this way, there is a large gap in thinking between Singaporean companies and Japanese companies over tying up for third country investment. There are clear differences in management philosophies between Singaporean and Japanese companies. Generally speaking, Singaporean companies pursue short term profit rather than taking a long term perspective in management and therefore try to retrieve their invested funds over a short time frame. Further, there is a gap in thinking with Japanese companies when it comes to distribution of profits and reinvestment. The networks, know-how, and language capabilities of ethnic Chinese managers, however, would be extremely helpful when considering investment in Southeast Asia or China not only at the time of the initial investment, but also in labor management and practices at the time of actual operation.

5. Conclusion

Above, a look was taken at the situation of economic and technical cooperation by Singapore in neighbouring Asian developing countries. New styles of economic and technical cooperation are now appearing such as the training of manpower by the Singaporean government in neighbouring Asian countries, the cooperation in establishment of overseas training centers, the cooperation of Singapore with the advanced countries and international organizations in the promotion of third country training using Singapore, and the movement toward cooperation in third country investment by Japanese affiliates. These are due not to the

conventional relationship between "aid donors and receivers" seen in aid between the advanced and developing countries, but to a new style of cooperation based on an "equal partnership" in which even the developing countries can participate as aid entities.

The Osaka Action Plan adopted at the November 1995 APEC Osaka Conference proposed a new APEC model of economic cooperation. It called for departure from the conventional system of the clear distinction between donors and recipients and for the governments of the participating countries to donate the funds, technical expertise, skilled workers, and other resources their countries possess so that all of the participating countries can benefit. Further, a framework declaration for strengthening economic and technical cooperation adopted at the 1996 APEC Manila Conference proposed an "APEC model of economic cooperation" based on the guiding principles of voluntary participation, mutual respect, and sharing of resources. Under this, the participants in the project would all therefore become "beneficiaries", the distinction between donor and recipient nations would be blurred, the market mechanism would be embraced, and APEC would function as a catalyst.

Looking at the state of progress in economic and technical cooperation in APEC, as of November 1996, there were 320 projects and 151 subprojects under way. Even viewing just the examples of economic and technical cooperation by Singapore in neighbouring Asian countries, there are many projects "with APEC like elements" which span several countries and enable the participating countries to share in the merits. Further, as an example of a project of APEC like elements not directly participated in by Singapore, there was the eighth working committee on the Spratly Island Problem held in the suburbs of Bogor, Indonesia. The committee was comprised of representatives of countries and regions claiming sovereignty over the Spratly Islands, that is, China, Taiwan, Vietnam, Malaysia, the Philippines, and Brunei, and nearby countries and agreed to (1) Engage in research on the biodiversity in the area around the islands and (2) Proceed with training programs for the manpower required for resource development projects. While a highly politically colored project, this could be considered within the framework of APEC. What is now being sought is for APEC to take note of such projects and for the APEC members, of course, and also APEC itself as an organization to take the initiative and play a positive role in promoting economic and technical cooperation projects in the

region.

Notes

1. Section A of Part 2. Economic Cooperation of the APEC Osaka Conference Declaration of Action Agenda stated that the APEC economies will pursue economic and technical cooperation so as to achieve sustainable growth and balanced development in the Asia-Pacific and so as to reduce the economic disparity between the APEC economies and improve economic and social welfare and that these efforts will also promote the growth or trade and investment in the region. (Regional Cooperation Division, Economic Cooperation Department, International Trade Policy Bureau, MITI ed., Kodo Suru APEC 2020 Nen e no Michinori (Road to Active APEC in 2020), 1997).
2. Kyodo Tsushin, November 25, 1997.
3. Professor Takeshi Aoki of Kyorin University gave as specific "economic and technical cooperation" schemes in APEC the following having Singapore, Thailand, and other advanced ASEAN countries as the "aid donors": (1) triangular cooperation (training in third countries etc.), (2) cooperation from the "more advanced South" to the "less advanced South", (3) joint ventures and economic cooperation among developing countries, and (4) cooperation among regions stretching across national boundaries (Ken Aoki, "APEC to Nanboku Mondai" (APEC and the North-South Problem), Kensho APEC, Nihon Hyoronsha, 1996, p. 96).
4. "Yori Susunda Hatten Tojokoku to no Ninshiki o Kakunin" (Confirmation of Recognition as "More Advanced Developing Countries"), Tsusho Koho (JETRO Daily), February 14, 1996, Japan External Trade Organization.
5. The Straits Times, August 9, 1997.
6. The Straits Times, November 10, 1997.
7. The Straits Times, November 13, 1997.
8. The Straits Times, October 17, 1997 and Vietnam Keizai Doko (Vietnam Economic Trends), No. 124, August 30, 1997", Vietnam Keizai Kenkyusho.
9. The Straits Times, June 18, 1996. Further, the Singaporean government has set up a US\$10 million Indochina assistance fund and a US\$3 million Myanmar assistance fund for assisting Indochina and Myanmar to convert to market economic systems.
10. According to The Straits Times (October 17, 1997), over 4,600 foreign government officials have undergone training in Singapore under the Singapore Cooperation Programme since the program was set up in 1992.
11. Prime Minister Goh stated that "We are from the region, we are in the region, it is our business to

know the region well. So we will gather the expertise - a deep knowledge of how things are done in ASEAN and the surrounding area, a good understanding of the political thinking, good inroads into their political and business elite" and stressed that Singapore is promoting Japanese investment in Asia through industrial parks constructed in nearby Asian countries and can become a partner for Japanese companies in investments in third countries.

12. The overseas training program subsidizes the overseas training entities (private companies and organizations) and assists technology transfers to the developing countries. Use of the program requires that three requirements be met: (i) group training of at least 20 participants per course, (ii) a training period of from one week to three months, and (iii) public solicitation of at least half of the trainees. 60 percent of the expenses in specific areas required for technical trainees and dispatch of instructors (air fare, accommodations, etc.) is covered by the AOTS (ODA budget) and the remaining 40 percent by private businesses.
13. At the present time, most are funded by private Japanese companies with the AOTS. Japanese companies alone, however, are no longer the main sources of funding. Even companies and organizations outside Japan can use the AOTS scheme. The Singapore Productivity Association and AOTS Malaysia Alumni Association also provide cooperation. AOTS officers state that the organization requires that (1) at least one of the instructors be Japanese and (2) that Japanese affiliates be included among the factories visited in the training program and works to inform trainees that the program is a Japanese cooperation scheme.
14. In a questionnaire survey conducted by the JETRO Singapore Center in November 1995 covering Japanese manufacturing affiliates in Singapore, 35 of the 100 responding companies indicated that they were providing training in Singapore to workers of affiliates in nearby countries.
15. The Straits Times, November 20, 1997.
16. Among the 18 members of APEC, data could be obtained for 14, that is, Japan, South Korea, Taiwan, Singapore, Thailand, Malaysia, the Philippines, Indonesia, China, Australia, the U.S., Canada, Mexico, and Chile.
17. See "Sekai Kakuchiiki no Jiyu Boeki Kyotei de WTO o Shitasasae" (Free Trade Agreements Around the World Underpin WTO), Ajia Hanei no Kozo (The Structure of Asian Prosperity), Nihon Keizai Shimbunsha, 1996.
18. See Atsuke Kawada, "Kakudai Suru Singapore Keizaiken" (The Growing Singaporean Economic Sphere), Singapore no Chosen (The Challenge of Singapore), Japan External Trade Organization, 1997.
19. "Taigai Toshi no Juten ASEAN e" (Emphasis in Foreign Investment Shifts to ASEAN), Asahi

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