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Creating Competitive Advantage in the Global Marketplace: The Singapore `Experiment' in East Asia

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ABSTRACT

Dynamic changes in the competitive global arena and constraints from the lack of natural resources to meet these changes have led Singapore to look beyond its borders to create an external economy. A failed internationalisation initiative in the early 1990s led Singapore to shift the emphasis to regionalization. The focus of this paper is on Singapore's strategic initiative to create the economic space for local and Singapore-based multinationals to expand *regionally*, centred on a number of industrial township developments in China, Vietnam and Indonesia. The basis for the townships has been to transplant Singapore's successful industrial township model into the region, enabling a `strategic blend' of Singapore's capital and reputation for sound industrial infrastructure with the abundant resources of host countries. These, along with Singapore's efficient infrastructure and stable, corrupt-free administration, and 'guanxi' (or connections) with regional governments, were believe to provide the projects with a competitive edge in the global marketplace. This paper finds the attempts to replicate the Singapore-styled townships in East Asia have met with only limited success.

Key words: Regionalization - Industrial Parks - Singapore - East Asia

INTRODUCTION

The outward orientation of East Asian economies, in the 1980s and early 1990s, presented Singapore with a unique opportunity to develop its external economy, popularly termed as the `second wing'. A regionalization program was launched in the early 1990s, with the strategic intent of creating economic space for local and Singapore-based multinationals to redistribute their operations regionally. This would, in turn, allow the restructuring of the domestic economy to higher value activities which require Singapore's unique set of competencies, and also make room for the development of new economy industries to allow the city-state to remain competitive in the global marketplace. By taking a transborder development approach, regional sites were able to focus on each party's core competencies and leverage on each others' resources, technology and markets. This form of synergy which has been referred to as `shakkei'[1], or collective competitiveness, augments the development of regional economies and Singapore, allowing all partners to borrow strengths in a complementary manner (Singapore Economic Development Board, 1993, 1995a, 1995b).

The strategic thrust of the regionalization program involved the establishment of industrial townships in the region to create a `Singapore-styled' business environment in *emerging economies* for local and Singapore-based MNCs (Perry and Yeoh, 2000). More specifically, in order to replicate Singapore's success story, the local government takes a proactive approach by identifying potential sites to develop in the region. By developing these sites, the government aimed to use them as a launch pad into the domestic markets, and also as an access to the abundant resources. This would present Singapore with strategic linkages to the region, which enables Singapore-based companies to redistribute resource-intensive activities while maintaining a high-value presence in Singapore as a regional headquarters distinguishing itself through its competitive advantages as a high-value investment site. The Singapore

[1] `Shakkei' is a Japanese landscaping strategy derived from traditional Chinese garden design. With `Shakkei', the scenery from one's garden is enhanced by incorporating the scenery from afar, such that the combined scenery is superior to each on its own.

government also takes on the role of a `business architect' and `knowledge arbitrageur' (Economic Development Board, 1995:42), by matchmaking the private sector and Singapore's public sector to undertake large-scale investments in the region as exemplified by its existing regional industrial parks.

The paper examines Singapore's advanced industrial-township projects in Indonesia, China and Vietnam. The paper begins with a background on Singapore's regionalization program, followed by a stock-take of the flagship industrial parks projects. These flagship projects will be evaluated on their success in attracting investments and their ability to contribute to Singapore's strategic objectives at a micro and macro level. Finally the paper considers the lessons learned, and how Singapore has moved on from the experience.

THE SINGAPORE `SUCCESS STORY' DIFFUSED THROUGH REGIONALIZATION

Singapore has always pursued an outward looking policy and realised the importance of being actively linked with the global economy due to Singapore's lack of naturally endowed resources and the government realisation that in order for Singapore to remain competitive, it must constantly upgrade itself to keep with changes in the global arena and to leverage global resources to stimulate further growth. The importance of being plugged into the global economy was heightened by the mid-1980s recession. In 1989, the Strategic Economic Plan prescribed strengthening the domestic economy and also brought attention to developing a strong external economy through new initiatives to promote outward investments in the region and beyond. The first response was a largely unsuccessful attempt to accelerate international business linkages (Caplen and Ng, 1990). The program was designed to accelerate access to overseas markets, mainly in North America and Europe, but it proved ineffective (Balakrishnan, 1990; Kanai, 1993), thus prompting the government to scale down its external economy building plans and look towards the region. This change[2] in strategy to regionalization was rationalised by the liberalisation of foreign investment controls occurring at the time in countries like Indonesia, China and Vietnam, and the subsequent high growth rates they were achieving (Perry, 1995; Kraar, 1996; Kwok, 1996). Private sector reluctance in regionalising was the Government's raison d`etat[3] that Singapore's government linked companies (GLCs) should lead the regionalization drive.

The regionalization strategy comprised state-led infrastructure projects and a range of incentives and regulatory innovations designed to assist private companies and individuals move overseas[4]. The government took a threefold approach in its township developments. It began with senior politicians[5] negotiating with the host governments to establish a favourable institutional framework through concessions and endorsement for facilitating the townships. The second step involved GLCs investing heavily into the infrastructure and real estate development of townships to lend their reputation to the projects so as to attract private investors. The final step is the heavy promotions of the townships to Singapore-based companies and also MNCs looking to invest in the region[6]. The Singapore Economic Development Board (SEDB) encouraged MNCs to locate their regional support and headquarters in Singapore while setting up low value and resource intensive activities in the townships.

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[2] The change was endorsed by the Committee to Promote Enterprise Overseas (Singapore Ministry of Finance, 1993).

[3] The political economy of Singapore's industrialization program has been extensively discussed in Rodan (1989), Regnier (1991) and Huff (1995). There is also an extensive political-geography literature on Singapore's regionalization program, succinctly summarized in Yeung (1998).

[4] A summary of the regionalization incentive schemes may be gleaned from the Singapore Economic Development Board, *Singapore Investment News, Regionalization Supplement*, May 1993.

[5] The stress on exploiting personal ties accords with business practice preferred by the linked communities of `overseas Chinese',(Redding, 1995, Yeung, 1997, Brown, 1998; Lehmann, 1998), the `bamboo' network which Singapore made use of in its industrial parks in Indonesia and China.

[6]Singapore's Senior Minister Lee emphasised this: "Companies can reduce their risks when venturing into Asia by linking up with local partners, and Singapore can help facilitate this process by acting as a `Partnership Centre" to bring together strategic alliances for companies to invest in third countries in the East Asia region. … [We] can provide foreign companies with a convenient foothold through the industrial parks that are being built and managed by Singapore in China, India, Indonesia and Vietnam." (Quoted in Asian Review, 1996, p.VII).

THE INDONESIAN PARKS

The parks on the neighboring Riau islands of Batam and Bintan, located 50 km southeast of Singapore, were the first of Singapore's overseas industrial parks. Batamindo Industrial Park (BIP) was the successful prototype opened in 1992 with Bintan Industrial Estate (BIE) following in 1994. The design of the parks is largely the same, based on the concept of being self-sufficient. Both parks include their own power supply, water supply and treatment, telecommunications, commercial services and hostels for workers, including an executive village to provide accommodation and recreation for professional staff. BIE also has its own port with direct ferry connection to Singapore. The Indonesian parks were established as a joint-venture between Singapore GLCs[7] and the Salim Group of Indonesia. Salim was then Indonesia's largest business conglomerates with close links to senior politicians, and privileged access to major investment projects in the Riau island (Hill, 1996). The GLCs were in-charge of developing and managing the Parks, while Salim facilitated operations and provided a guarantee of priority in the respect of regulatory controls and administrative approvals. This allowed Singapore to take charge of the marketing, where it could leverage on its reputation for efficiency and reliability to engage MNCs.

Aside from self-sufficiency, the Parks provided ready built factories for lease which allowed quick occupation and minimal commitment. The Singapore Economic Development Board (SEDB) was active in encouraging leading MNCs in Singapore to use the Parks, and the MNCs clearly perceived advantages in showing their support for government programs as taxation concessions in Singapore are allocated on a case-by-case basis (Perry, 1995).

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[7] The Singapore consortium was led by Singapore Technologies Industrial Corporation (now SembCorp Industries) and Jurong Town Corporation, Singapore's main industrial estate infrastructure developer.

Batamindo Industrial Park

Batam had been negotiated as a location for possible joint investment projects between Singapore and Indonesia since the Indonesian government started to promote its economic development in the 1970s. [8] However a mutual agreement was only reached in the late 1980s when Indonesia's offer to extend foreign investment concessions to kick-start Batam's development met Singapore's priority for additional production space (Perry, 1991; Yeoh et al., 1991). The concessions included lifting of foreign ownership requirements, the amendment of Batam's duty free status to facilitate a proportion of outputs for export to the rest of Indonesia and allowance for foreign companies to manage industrial estates which provided Singapore GLCs with lowered investment risks leading to an opportunity to set up the joint venture to develop and manage BIP.

Seven other industrial estates authorised by the Batam Industrial Development Authority had been set up before BIP which became the first to bring significant industrial activity to Batam. The first tenants arrived in 1991, mainly subsidiaries of American, European and Japanese multinationals already operating in Singapore (Yeoh et al., 1992). The industrial township has been successfully developed. By June 2002, there were 88 companies and 66,000 workers in the Park (Table 1), with the initial area reserved of 500 hectares being fully committed. However, limitations have emerged need attention:

a) The scale and character of development have not influenced the restructuring of the Singapore economy nor proven to be as attractive to local companies and foreign MNCs as intended. The park is acting more as a Japanese electronics manufacturing enclave, fitting their needs for the

[8] Singapore's vision of the role of Batam clashed with the Indonesian ambition to create a diversified modern metropolis comparable to Singapore. BIP's design reflected Singapore's economic planners vision of Batam as a relocation point for low value assembly activity (Liew, 1990). These ambitions were loured following Indonesia's dismal returns on its efforts to promote Batam coupled with BIP's promise to lever other investments under a larger growth triangle initiative for which it became the key flagship project (Perry, 1991; Yeoh, 1993; Peachy et al., 1998).

development of Japanese production networks in Southeast Asia (Hatch and Yamamura, 1996), rather than meeting initial plans of managing the outflow of MNC investments and stimulating Singapore's role as a regional headquarters[9]. This makes the park vulnerable to movements in Japanese investments, and limits linkages to the Singapore economy.

b) Batam has been overwhelmed by its reputation as a boom economy, leading to a tripling of the population since 1990, with the new migrants living in illegal squatter houses scattered throughout the island (The Straits Times, October 6, 2001). Lower costs and accommodation regulations have led half of BIP's labor force to reside in the squatters, which introduces tensions and social problems. The challenge is to maintain the investment value of BIP, without a shift of resources to meet the needs of the local community.

c) Competing parks[10] within close proximity, and, in some instances, backed by prominent Indonesian politicians, have dampened the competitive edge of BIP. Some of the larger parks are rapidly developing to match BIP standards, and have eroded the premium placed on BIP's formulaic one-stop service and self-sufficient operating environment.

Bintan Industrial Estate

BIE is the only industrial park on Bintan and the Indonesian authorities' willingness to facilitate the BIE project proved to be a positive spin-off for Singapore. Singapore's GLCs were able to secure a 4,000 hectare coastal site for the BIE project. Duty free status, not extended to Bintan as a whole, was accorded to BIE. Customs, immigration, quarantine and port clearance is done through BIE's on-site integrated terminal, which expedites the shipment of raw materials and finished goods. More significantly, despite

[9] See Grundy-Warr and Perry, 1996; Peachey et al., 1998.

[10] 13 other industrial parks have mushroomed, of which Panbil Industrial Park, located directly opposite BIP, poses the strongest threat.

BIE being subject to provincial administration, it was allocated staff from regulatory agencies to facilitate the formulaic one-stop approval process. Bintan enjoys low land prices which enables factory rents to be 25 to 50 per cent lower than BIP.

BIE was initially targeted at textiles and wood processing activities. Wood processing never took off, and access to Singapore's export quota under the multi-fibre agreement has since been lost leading to a change in marketing emphasis, with electronics added to the marketing priorities in 1997. This led to a modest growth in investments. BIE was downsized to a 500-hectare development, with 110 hectares developed to -date at a cost of US$113 million. As at June 2002, BIE has 35 tenants and 13,000 workers (Table 1).

Even with the reduced target of developing a 500-hectare township, at present, the goal appears unrealistic given the slow growth in occupancy. BIE started out ill-timed. It was launched at the same time as Singapore's other flagship projects in China and Vietnam which presented investors with more lucrative options. This presented BIE with a 'chicken and egg' dilemma as they required the economies of increased occupancy to improve the operating environment, yet with the limited supporting environment, it was (and still is) difficult to attract tenants. At present, BIE is neither a significant contributor to the restructuring of the Singapore economy, nor a commercially viable project (Perry and Yeoh, 2000).

Land ownership is also a major contentious issue, as the plot BIE is on was acquired by the Salim Group which has come under question by regional legislators and local farmers. Salim was prosecuted for alleged illegal land appropriation in February 2000, following the storming of BIE by an estimated 1000 villagers who shut down its power generators. This led to SembCorp Industries to threaten to pull out their investments. The financial disputes and mob protests have introduced more uncertainties into the long-term viability of BIE. Ironically, these developments occurred just a month after Singapore unveiled a massive assistance package for Indonesia, when the Prime Minister led a business delegation to Jakarta to explore investment opportunities.

Looking Ahead …

The Indonesian Bank Restructuring Agency had offered to sell the Salim Group's stakes – an estimated S$500 million - in all the Riau projects (The Business Times, August 28, 2001). Further restructuring leaves the three main stakeholders being SembCorp Industries, Ascendas (a JTC-linked company) and the Indonesian government. This is a fundamental change considering the Salim connection was a pillar of the Indonesian parks success given the facilitation enabled to provide quick set-up and efficient administrative process so that companies can focus on the core competencies. The Parks are also adversely affected by the political developments which followed the Asian financial crisis, the September 11 attacks, the Bali bomb blasts and reports of active terrorist cells in the region. New investment commitments to BIP have taken a dive, and investments in BIE have trickled to a halt.

Regional autonomy laws (nos. 22 and 25 of 1999), introduced by the Habibie government, have added longer-term uncertainties to the Parks' operating environment. Officially implemented in 2001, foreign companies (including Singapore GLCs) now have to deal with the provincial and sub-provincial governments much more intensively than they did during the Soeharto era. Our on-site interviews[11] with executives and tenants, in both BIP and BIE, have confirmed this new development. Preliminary evidence points to a more complex regulatory environment for foreign companies.

THE CHINESE PARKS

[11] Interviews in BIP and BIE were conducted in July and September 2002, respectively.

The BIP-prototype was adopted in the physical design of the Parks at Suzhou and Wuxi. The administrative environment was, however, very different. In Indonesia, the partner of choice was a well-connected private-sector conglomerate, and the partnership was given the political patronage of senior politicians. China, in contrast, had a more complex administrative and regulatory environment, and the projects had to contend with multiple tiers of government administration, and the competition (or more precisely, the `fiscal politics') between these tiers at a time of rapid economic and political changes.

Singapore's primary concern with the Indonesian investments had been to promote the restructuring of the Singapore economy, and exploit the complementarity of neighboring economies (Yeoh et al., 1991; Perry, 1991; Toh and Low, 1993; Kumar and Siddique, 1994; Peachey et al., 1998). The Suzhou project, on the other hand, had an added agenda of showcasing the Singapore success model and its transferability to other Asian environments. The Wuxi initiative had narrower objectives, premised on the perception that Singapore GLCs have a competitive edge in industrial estate development in China because of their links to western business, and access to Chinese business and political networks.

China-Singapore Suzhou Industrial Park

At 70,000 hectares and an estimated project cost of US$20 billion, CS-SIP was Singapore's most ambitious undertaking and also the most controversial. CS-SIP was also envisioned as a balanced township, with a population of 600,000 and a workforce of 360,000. It was to go beyond the prototype industrial park design (BIP) with commercial centres and a full range of urban facilities for the executives, employees and their families. The project was also to be the new commercial centre for Suzhou as well as serving the surrounding area. Singapore intended to reflect its ability at developing the township both socially and economically. This grandiose goal was encouraged by China's former premier Deng Xiaoping who, it has been said, regarded Singapore as 'a capitalist version of the communist dream'. In 1992, Deng promoted the idea of learning from Singapore as a way of avoiding the environment problems and social disorder that concerned him in southern China. As Deng put it:

> *"The social order in Singapore is good, they are strict. We should adapt their experience and <u>do better than they do</u> (our emphasis)."*
>
> *- quoted in SIPAC, 1999.*

Taking these remarks at face-value, Singapore's leaders offered to bring their know-how into China, provided they could get a free hand to demonstrate it. The project was personally undertaken by Senior Minister Lee Kuan Yew who led the idea through its formative stages to its launch on May 12, 1994.

CS-SIP was developed through a joint venture as the China-Singapore Suzhou Industrial Park Development Company (CSSD). The Chinese consortium had a 35 percent stake in CSSD shared amongst 12 organizations, mainly national state-owned enterprises together with Suzhou city. The Singapore consortium had a 65 percent stake in CSSD shared amongst 24 organizations, mainly Singapore GLCs, including EDB Investment and JTC International, as well as two organizations that also participated in other parks - SembCorp Industries and the Salim Group (through a subsidiary, KMP China Investments). The two consortia retain their separate identity, with projects taken up by participants according to their expertise and agreed roles. The work of CSSD was overseen by a specially created local authority, the Suzhou Industrial Park Administrative Committee (SIPAC). Inter-governmental interest remained through a joint ministerial council.

The Singapore model, as applied to CS-SIP, encompassed high quality infrastructure, pollution control, 'one-stop' non-corrupt decision-making, and minimum entry or performance regulation, and transparent financial charges. In order to bring these attributes to CS-SIP , a large-scale project was required to facilitate institutional innovation, autonomy from aspects of local government control and investment in administrative practice or, as it has become known, 'software development' (Cartier, 1995; SIPAC, 1999).

Singapore optimism over the Suzhou project was encouraged by a series of perceived advantages secured at the outset. These included CS-SIP being a inter-governmental development initiative which was believed to translate into added security against political risks of investing in China, and the township was also afforded preferential policies in part due to its ties and its location. CS-SIP is located in Jiangsu province, which was selected in the early 1990s for accelerated economic development to offset the concentration of foreign investment in the Special Economic Zones (SEZs) (Yang, 1997). The project and due process was viewed as a stepping stone for Singapore businesses to venture into the rapidly developing China market.

Limits to each of the advantages obtained were apparent from the outset. The inter-governmental endorsement was derailed by the influence of provincial and municipal authorities, and their interests in competing projects. Incentives which were granted to SIPAC were replicated to other industrial zones. Moreover, a concession that allowed SIPAC to retain development revenues, led local administrators to favour projects generating revenue for the municipality[12].

The situation was aggravated by competition from the Suzhou New District (SND), an industrial zone open to foreign investment, which was mooted before CS-SIP and launched in 1989. SND continued to be favoured for commercial and housing development as well as investments by foreign investors (The Straits Times, May 14, 1999). The Suzhou authorities were also exploiting Singapore's marketing efforts and re-directing investors to SND.[13] It was difficult to retain software advantage within CS-SIP as practices were replicated in SND and other zones. SND now claims to match CS-SIP's capacity for rapid decision making.

[12] For a discussion of China's `fiscal politics' in an era of decentralization and local autonomy, see Hsing (1998).
[13] For instance, it was reported that Suzhou's vice-mayor, Wang Jinhua, told potential investors in Germany in 1997 that they should invest directly in China without Singapore's help, and that all of Jiangsu's resources would go to SND, not CS-SIP (The Straits Times, January 15, 1998). For more examples of how local authorities circumvent rules and regulations imposed by the central government, see Hsing (1998).

Singapore's disappointment was indicated by Senior Minister Lee Kuan Yew's public questioning of the commitment of the Chinese partners to the project[14] (The Straits Times, 5 December 1997). Profitability was not the most important concern as the Singapore government has staked its reputation on the project, thus it had to maintain the credibility of Singapore's strength in township development and management. The subtle, yet crucial difference, in objectives was translated into perception differences, protracted conflicts and project delays. Singapore's main gripe was the dismal progress in housing and commercial projects. By end-1998, there were only around 1,000 residents in the township and a total workforce of 6,000 (SIPAC, 1998). The slow progress resulted in financial losses for the Singapore-led consortium, which funded the land development and infrastructure, and also for Singaporean investors involved in peripheral projects.

The 1997 Asian financial crisis provided a context where withdrawal become easier to justify, and in June 1999, it was announced that Singapore would reduce its involvement in the project and transfer majority ownership of CSSD to the Chinese consortium from 2001 (The Straits Times, June 30, 1999). Official estimates stated that Singapore's investment in CS-SIP amounted to only US$147 million (The Straits Times, August 4, 1999); the real (political) cost may well be the suggestion that Singapore was naive in perceiving that it would obtain a special status in China (The Economist, January 3, 1998).

In January 2001, CS-SIP had attracted 133 projects, with more than 91 operational international firms and 14,000 employed. Interestingly, investments began to pour in thereafter, with profits of US$7.5 million expected in 2001, the first time since the Park's inception (The Straits Times, January 19, 2001). CS-SIP's growth continues into 2002, with contracted investments exceeding US$12 billion, and the Park has become a foreign investment hub linked to Fortune 500 companies. CSSD plans to be listed by 2004, and

[14] Critics have, however, challenged this position, suggesting that favouritism runs resoundly the CS-SIP way. It had political support from the Chinese President down, and had autonomy (e.g. in planning and land use) not available elsewhere in China..

plans are in the pipeline for the completion of the transportation network and other infrastructure developments within CS-SIP.

CS-SIP experienced greater development challenges than anticipated, but the high value of industrial investment attracted has provided a basis from which the township could grow. Its tenant profile also included, significantly, a high proportion of American and European investors (Table 1). This proves that the Singapore model carried weight[15] with investors most at risk from administrative uncertainties (SIPAC, 1999), but it is against the larger diplomatic objectives pursued by the Singapore government that CS-SIP will ultimately be judged.

Wuxi-Singapore Industrial Park

At an income of US$2,000 per capita, Wuxi is one of the wealthiest Chinese cities with an urban population of 4.3 million. WSIP started as a real estate development with the potential to cover 1000 hectares and unlike CS-SIP, WSIP was negotiated directly with the Wuxi authorities[16], and this direct involvement has minimized the polarization between the higher echelons of Chinese government and the provincial government which had plagued CS-SIP. The Singapore-led consortium took a 70 percent stake, with the remaining 30% held by Wuxi's municipal government.

WSIP has been designated a national high technology development zone as part of the Torch Program initiated in 1988. Wuxi municipal authority has interests in other industrial estates[17], which are claimed not to be direct competitors. The basic taxation incentives offered to foreign investors matches that of CS-

[15] The then Suzhou Mayor, Zhang Xin Sheng readily acknowledged that Suzhou borrowed Singapore's credibility with multinationals (cited in Kraar, 1996:4).

[16] A Singapore government source attributes the difficulties to the fact that CS-SIP is essentially a central government project: "Suhou is very much a Beijing-Singapore affair, so the co-operation between Singapore and the municipality has not been as smooth as in Wuxi, which is a project between Singapore Technologies and the municipality."

[17] For example, the One Zone-Five Parks-One College initiative.

SIP. Singapore's EDB also played a recognised part in bringing the first tenants to WSIP, including Singapore-based MNCs. The total investment attracted has, however, been below that attracted to CS-SIP[18]. WSIP's tenant profile remains largely Asian, in relatively low value-added sectors (Table 1). As at July 2002, employment stood at 15,000.

Investor interest has slowed, with immediate prospects of growth hinging on the expansion plans of existing tenants. WSIP has been operating at a loss from 1998 through to 2000. It has been developed to its second phase, covering 235 hectares, but has yet to achieve commercial viability. The Singapore-led consortium decided in mid-2002 to divest part of its holdings (from 70% to 49%)[19]. Not unlike CS-SIP, the Chinese partner has recently announced plans to develop the third phase of the project, which will double the Park's size. The Park's performance is expected to turn around in 2002. Interestingly, even though WSIP had not experienced administrative difficulties with the local bureaucracy, the handing over to Chinese management mirrors the outcome of CS-SIP.

Suzhou and Wuxi Considered …

Although the Parks did not manage to achieve economic viability under Singapore's charge, the experience has demonstrated that it is overly simplistic to imagine that ethnic commonality will bring political leverage, and with it, economic advantage. The practical lesson in strategic management may well be the need to look beyond the official commitment, and recognize the importance of developing the right chemistry and a `common agenda' with local administrators.

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[18] CS-SIP's government connections have tilted the scale for the large companies. Korea's Samsung, for example, had considered Wuxi, which has the most developed semi-conductor industry in China, but opted for CS-SIP as "Wuxi was not backed as strongly by the two governments" (cited in Law, 1996).

[19] The transfer of shareholding and management control would, according SCI officials, result in better "alignment of interests and improve the operating efficiency of the park" (The Straits Times, May 14, 2002).

VIETNAM-SINGAPORE INDUSTRIAL PARK

The 1000-hectare Park, located 17 km north of Ho Chi Minh city, is Singapore's flagship investment project in Vietnam. It was jointly proposed in 1994 by the then Vietnamese Prime Minister, Vo Van Kiet, and Singapore's Prime Minister, Goh Chok Tong. VSIP is developed and managed by the Singapore consortium led by SembCorp Industries[20] (51%), and Becamex, a state-owned enterprise of the Binh Duong Province People's Committee (BDPPC). In VSIP, Singapore applied lessons learned from its China experience, and made deliberate efforts to foster strong collaboration with local authorities. A Management Board[21] was set up, chaired by the Vice Chairman of BDPPC, which also pre-empted the perception that VSIP was a partnership forced upon by the central government. VSIP follows the BIP-prototype. Labor is largely provided by the S$9.5 million Vietnam-Singapore Technical Training Centre (VSTTC) established in 1998. VSTTC is a three-way project between the Singapore and Vietnam governments and VSIP.

Even before the launch of VSIP in May 1995, a total of 13 international companies with investments worth US$80 million reportedly indicated their interest in the Park (Asian Review, 1996). EDB's role was acknowledged, and despite the difficult environment post-1997, cumulative investments topped US$400 million from 33 companies in 1999. To-date, it has attracted over US$500 million investments from 64 tenants. Most of the tenants are from Singapore, Japan and Taiwan, reflecting the importance of Asian investors in the Park's tenant mix. VSIP has a list of `priority' industries, which adheres closely to the

[20] Other members of the consortium include Temasek Holdings, JTC International, UOL Overseas Investments, Salim's KMP Group, LKN Construction, and MC Development Asia.

[21] The Board, with representatives from the ministries of Trade, Finance and Interior, as well as the General Customs Department oversees the issue of investment licenses, import/export permits, and construction permits.

official list of preferred industries[22] but, given the economic realities, the statistics (Table 1) suggest that VSIP does not target specific industries.

The tightening market conditions have amplified competition from neighboring parks who offer highly competitive rates, some of which are run by experienced and street-savvy developers form Japan, Taiwan and Korea. Improvements on infrastructure have also padded the tenants' bill. Tensions have arisen from Singapore's perceived 'control' and management of the park despite keen interest in welcoming Singapore investments and transfer of technology and skills. Anecdotal evidence[23] suggests that local sentiments towards the Singapore partners are not unlike that expressed in China, albeit to a different degree. Support from the local authorities has been less forthcoming than expected.

CONCLUSION

Although precise objectives for the regionalization program are not released, it is clear that the starting ambition was large. Industrial estates were started in China, India, Indonesia, Philippines, Thailand and Vietnam with projects identified in Cambodia and Burma (Tan, 1995; Kwok, 1996). In 1995, it was announced that up to 30 percent of Singapore's reserves would be gradually invested in regional economies to build up the city-state's external economy (SEDB, 1995a:3), and to participate in the region's growth. The statistics indicate the city-state has demonstrated the capacity to mobilise economic and political resources. Nonetheless, as openly admitted, substantial challenges remain for Singapore to retain majority-ownership, and management control, of the flagship projects.

In the case of Indonesia, the raison d'etre for the projects seems to have overestimated the attractiveness of low cost production environments for multinational companies (Yeoh et al., 2000). BIP has

[22] Details are given in Circular No. 8, List of Encouraged, Limited and Prohibited Industries in Export Processing Zones and High-Technology Industrial Zones, issued on July 29, 1997.

[23] On-site interviews with VSIP executives and tenants were conducted in August 2002.

increasingly become a Japanese investment enclave, while BIE has struggled to gain investment momentum. The Vietnamese experience is increasingly similar to the BIP experience, where the economics of competition have called into question the premium attached to Singapore's industrial-investment enclaves. Issues pertaining to ownership-control have also surfaced in VSIP. As for China, the projects were expected to benefit from the ability of Singapore's Chinese elites to obtain a special status through their ethnic allegiance and dual connections to overseas Chinese and western business networks (Asian Review, 1996; Yeung, 1997). The Suzhou-Wuxi experience suggests that, while there is an interest in learning from Singapore, local officials wish to deal directly with foreign investors. This outcome accords with the assessment of observers that China tends increasingly not to view overseas Chinese as preferred investors, or joint venture partners (Harding, 1995).

For the projects in Indonesia and China, but less obvious in Vietnam, the reliance on the Salim Group has been necessary in the context of the Indonesian system of 'crony capitalism' fostered by then President Soeharto. The end of the Soeharto era, and pressure from the IMF and western governments for financial transparency, has diminished Salim's political and commercial influence (The Straits Times, April 28, 2001). A longer-term uncertainty remains, associated with the perceived weaknesses in the political leadership, the challenges in the administrative and regulatory environment, and the continued resentment of Chinese-owned businesses amongst segments of Indonesian *pribumi* community (Godement, 1998). The limits of ethnic affiliation for economic integration have been exposed in the China projects. Singapore's claims of a special ability to build connections with mainland China have overlooked the multiple competing groups within a common ethnic group. In the Suzhou-Wuxi experiment, the limits of relying on personal ties have been most immediately encountered, where inter-governmental endorsement at the top has proved most insufficient to secure equal commitment in the lower tiers of the government. The claims that Singapore's politicians have achieved a special 'guanxi' (relationship) with China appear misplaced. The cultural divide was nonchalantly pointed out by Chen Deming, Suzhou's mayor:

"In our cooperation in the past five years, that we have an MOU to solve our problems is because of the cultural differences in the two countries, and the different understanding of the items in the documents …"

- quoted in The Straits Times, June 30, 1999.

In summary, Singapore's overseas parks tend to exist as investment enclaves linked to transnational investment networks, business elites and specific government commitments. The positive aspect of this is that the parks can be sites of investment privilege, in respect of their infrastructure quality and status with public and private agencies. The weakness is that the privileges obtained are vulnerable to changes in political allegiances, and the infrastructure efficiency is at risk from the uncontrolled broader environment in which the parks are located. The Singapore experience in Indonesia, China and Vietnam illustrates this.

An outright judgement of failure or success may not be appropriate, given the mixed economic *and* political objectives of Singapore's regionalization strategy. The city-state's expertise in industrial-township development, and its reputation for transparency and efficiency, is not in question. Development assumptions were, however, misplaced and socio-political priorities misaligned. All the same, official commitment to the projects remains[24], as is the willingness of Singapore's planners to search for alternative strategies and programs to re-position the regionalization efforts (Singapore Ministry of Trade & Industry, forthcoming). Perhaps, in the re-thinking, the limits of state-directed competitive advantages will be acknowledged.

[24] Source: Straits Times, July 2, 1999. Singapore's International Advisory Council has endorsed this policy directive, and negotiations are at an advanced stage to develop Singapore-styled industrial parks in Shanghai and Beijing.

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Table 1: Operational Statistics of Singapore's Overseas Industrial Parks in Indonesia, China and Vietnam

General Information	Indonesia		China		Vietnam
	BIP	BIE	CS-SIP (Aug 2002)	WSIP	VSIP (Aug 2002)
Scale of Development (hectares)	500	500	7,000	1,000	1,000
Investment by Developer (US$ million)	470	113	12,400	872	400
Committed Tenants	88	35	395	55	64
Area Taken Up (hectares)	500	110	980	235	n.a.
Investment by Tenants (US$ million)	> 1,000	105	12,400	>1,000	n.a.
Export Value (US$ million)	> 2,000	283	n.a.	1,000	n.a.
No. of Employees	66,000	13,000	44,000	15,000	7,000
Tenants by Country of Origin					
	BIP	BIE	CS-SIP*	WSIP*	VSIP
Japan	42	6	9.6	28	13
Singapore	25	23	4.1	16	15
USA	7	2	30.6	24	}10
OECD (excluding US/ Japan/Australia)	11	3	29.5	25	}
Other Asian countries (and Oceania)	4	1	26.2	7	26
Industry Profile					
	BIP	BIE	CS-SIP*	WSIP*	VSIP
Electronics	40	15	}61.9	27	7
Electrical	11	-	}	13	-
Precision	10	1	8.8	27	-
Chemical, Pharmaceutical & Healthcare	4	-	12.4	7	6
Food & Beverage	-	-	5.0	-	6
Textile & Light Industries	-	14	8.3	-	13
Plastic Molding	10	-	-	-	-
Logistics and Supporting	1	4	3.6	11	9
Others	12	1	-	6	23

*Represented as % of size of investment.
n.a. denotes not available

Source: SembCorp Industries & China-Singapore Suzhou Industrial Park Development Co. Ltd