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Case study on outward foreign direct investment by Singaporean firms:
Enterprise competitiveness and development

Executive summary

Singapore is an established outward investor among the developing economies. The geographical spreads of Singapore OFDI are extending to more regions and countries. The need to access markets and technology, improve cost competitiveness, be in growth regions and complete networks of global operations are among the key drivers of OFDI by Singaporean enterprises. Competitive pressure plays an important role, as did the support and facilities provided by the Singapore Government in encouraging Singapore firms to invest abroad.

While most of the major OFDI activities are associated with large Singaporean companies, more Singapore SMEs are also investing abroad for reasons similar to those of their larger counterparts. An important reason is to increase corporate competitiveness.

The evidence indicates that while there are risks in going abroad, the competitiveness of Singapore enterprises has increased through OFDI in terms of increasing their familiarity and experience with international business, improving their reputation and brand image, strengthening their managerial and marketing expertise, including market expansion, and broadening the customer base.

This paper is one of five case studies prepared by the UNCTAD secretariat as background documents for the Expert Meeting to facilitate discussions on enhancing enterprise competitiveness through OFDI. The paper examines the trends, drivers, motivations, policy and impact of OFDI on Singapore's enterprise competitiveness.

∗ This document was submitted on the above-mentioned data as a result of delays in processing.

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Case study on outward foreign direct investment by Singaporean firms: Enterprise competitiveness and development

I. Introduction

1. Outward foreign direct investment (OFDI) by Singaporean companies has a long history. As a major entrepôt in South-East Asia, Singapore has been relentlessly positioning itself vis-à-vis the global economy. Since the country attained nationhood in 1965, the Government has planned and implemented several national development strategies to create and sustain Singapore's competitiveness in the face of accelerating global competition. In that sense, the global economy has always been Singapore's "hinterland" and the country has always been a key player in the globalization of economic activities. The Singapore Government and Singaporean companies, both large and SMEs, have a keen interest investing abroad. The prospects for Singapore OFDI are bright because of a set of interrelated "push" and "pull" factors, not least the significant role that the Government plays in internationalizing its indigenous companies.

2. By the early 1990s, Singapore had become a regional coordination centre capable of supporting significant R&D activities and management functions. To consolidate further its national competitiveness and to enable the expansion of domestic capital, the Government initiated a regionalization programme through which Singaporean companies were explicitly encouraged to venture abroad. In January 1993, Senior Minister Lee Kuan Yew announced the Government's new initiatives to generate a larger pool of local entrepreneurs and to build up the "external wing" of the Singapore economy. This national strategic thrust is known as Singapore's "Regionalization 2000". Since the 1997-1998 Asian economic crisis, the Government has recognized the continuing importance of the globalization of Singaporean enterprises.

3. Singapore is an established investor and OFDI from Singapore is not a recent phenomenon. Some of its OFDI was in the 1950s. The geographical spreads of Singapore OFDI are extending to more regions and countries. While most of the major OFDI activities are associated with large Singaporean companies, more Singapore SMEs are also investing abroad for reasons similar to those of their larger counterparts. OFDI by Singapore SMEs is in most cases through greenfield and joint venture activities rather than cross-border M&As because of their financial positions and the scale of operations. The competitive pressure to lower production costs has also influenced the geographical destinations of these SMEs from Singapore. They tend to invest within the Asian region, focusing primarily on such low-cost destinations as China, Indonesia, Malaysia, Thailand and Viet Nam. Their market orientation is also quite specific in that SMEs invest abroad either to produce for export markets or to produce for their large customers locally.

4. This paper has three specific objectives:

- To describe the nature and trends of OFDI by indigenous Singaporean enterprises;
- To explain the major reasons for, and impact of, OFDI; and
- To examine key laws and regulations that enhance Singapore's OFDI.

5. The analyses in this paper rely extensively on primary data from a corporate survey, conducted in 1999, of 204 indigenous Singapore companies that have overseas operations.[1] These Singapore companies are referred to as Singapore-based transnational corporations (SINTNCs) throughout this paper.[2]

II. OFDI from Singapore: Trends and development

6. The Department of Statistics (1991) estimates that OFDI stock from Singapore at the end of 1976 was S$1 billion. By 1991, Singapore OFDI stock had risen to S$ 15 billion, and S$ 150 billion by 2003 (table 1). Singapore is the second largest source of OFDI among the developing economies after Hong Kong (China) (UNCTAD, 2004). A significant proportion of OFDI from Singapore, however, originates from Singapore-based affiliates of foreign TNCs. In 1996, foreign-controlled companies accounted for 46 per cent of Singapore's OFDI and, in 2002, the ratio decreased to 39 per cent.[3] OFDI flows grew marginally between 1976 and 1989 but have surged since 1990 except in 1998 and 2002.[4] The improvement in the quality of data reported since 1989 and later again in 1994 partly explained the significant increase in OFDI flows.[5] Negative OFDI growth was experienced in 1985, 1989, 1998 and 2002. In 1985 and 1998, Singapore was affected by, respectively, a major economic recession and the Asian economic crisis. The negative growth was also attributed to repayments of intra-company loans by foreign subsidiaries and/or reduction in the equity of foreign subsidiaries controlled by Singaporean TNCs. This latter phenomenon represents negative outflows of FDI from host countries back to Singapore.

7. Singapore's OFDI has always been concentrated in the Asian region, although the degree of concentration has decreased over time. More than 64 per cent of Singapore's OFDI was in Asia. Throughout the 1990s, Asia remained the most favoured host region, accounting for about 47 per cent-52 per cent of OFDI from Singapore. Within Asia, Malaysia had always been the single most important destination until 1997 when China emerged as the largest recipient of Singapore's OFDI. Singapore's OFDI to Malaysia declined from 60 per cent in 1981 to 17 per cent in 1996 and 8 per cent in 2003. The decline was associated with the Government's 1993 regionalization drive. Emerging investment opportunities in China and other countries in the South-East Asian region were additional reasons, as was the Government's involvement in the development of large industrial estates and infrastructural projects in Indonesia and China (e.g. China-Singapore Suzhou Industrial Park). Singapore's OFDI to China and Indonesia grew significantly in 1993-2003. A large amount of Singapore's OFDI to China was also channelled through Hong Kong (China) (table 1).[6]

8. Further data on locally controlled Singaporean TNCs in table 1 indicate that between 1996 and 2002 the proportion of locally controlled OFDI from Singapore to Asia decreased from about 62 per cent in 1996 to 52 per cent in 2002, indicating a gradual shift in the geographical focus of indigenous Singaporean firms from investing in Asia to such developed regions as Europe (58 per cent in 2002) and Australia (64 per cent in 2002). One key explanation for this geographical shift is the increasing number of mergers and acquisitions (M&As) conducted by large locally controlled SINTNCs (see below).

9. Another interesting observation is that the Caribbean and Latin American countries emerged as an important host region for OFDI from Singapore. In 2003, the region hosted some 28 per cent of OFDI from Singapore. While some of this OFDI was in the natural resources sector, a substantial portion went to tax-free zones in the region.

10. The financial sector continues to spearhead Singapore's OFDI. Some 47 per cent of OFDI in 1990 came from this sector. The sector's share of OFDI consistently increased in 1990-2003. By 2002, the financial sector accounted for a 62 per cent share, a reflection of Singapore's competitive role as an international financial centre in the global economy.[7]

Table 1. Singapore: OFDI stock, by geographical distribution, 1981-2003
(Millions of Singapore dollars; percentage of local-controlled companies in parentheses)

Economy	1981	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003[1]
Asian countries	1289.9	1721.4	7013.3	27101.2	31714.2(62)	37316.6(60)	42905.2(65)	46026.4(64)	57542.8(59)	68453.3(51)	70746.2(52)	72994.1
ASEAN	1078.5	1133.3	3567.1	16088.2	16874.2(59)	17924.8(54)	18264.8(58)	18548.2(57)	23568.8(53)	28548.1(48)	30512.5(49)	32621.6
Brunei	3.7	52.9	66.2	92.0	89.9(74)	73.9(74)	63.9(81)	81.4(57)	98.1(61)	56.8(79)	51.6(79)	52.8
Indonesia	39.5	65.0	224.8	4030.9	3914.3(35)	6519.0(21)	4484.7(34)	4516.9(33)	5461.8(36)	7599.9(40)	8592.9(46)	9828.4
Malaysia	1006.9	971.8	2790.1	9715.9	9591.1(69)	8908.0(72)	8610.0(70)	7939.8(67)	9754.0(66)	11303.0(57)	12141.4(56)	12758.9
Philippines	18.4	22.4	97.7	625.1	1003.8(63)	934.1(56)	1297.6(72)	1480.7(77)	2555.6(51)	2741.7(55)	2693.6(56)	2779.6
Thailand	10.0	21.2	388.4	1252.8	1573.0(39)	1219.0(39)	1986.4(48)	2685.7(55)	3494.4(39)	4506.0(32)	4617.7(34)	4404.0
Viet Nam*	-	-	-	371.3	702.1(86)	1001.9(84)	1050.9(53)	895.5(55)	1069.7(58)	1067.0(57)	1149.2(51)	1396.0
China	-	57.6	239.7	2968.2	6414.1(73)	10477.0(64)	12186.3(79)	12625.3(78)	15710.2(69)	17499.2(50)	17702.4(50)	17623.9
Hong Kong, (China)	181.8	460.7	2266.2	6268.3	5973.6(64)	8113.0(54)	7668.0(67)	8399.4(67)	8508.0(70)	11564.1(64)	12042.3(62)	11529.0
Japan	0.3	5.0	51.8	465.8	454.9(13)	535.1(8)	865.5(51)	828.2(73)	993.8(59)	1468.1(64)	1548.1(70)	2051.5
Taiwan Province of China	12.9	32.9	494.8	573.2	570.7(51)	657.7(55)	1287.6(48)	1715.0(62)	3571.4(39)	3586.3(37)	3319.1(39)	3392.1
Republic of Korea	-	-	-	-	-	-	669.0(3)	1691.1(9)	2403.3(24)	2754.0(29)	2505.3(30)	2202.1
Others	16.2	31.9	393.7	737.4	1426.6(62)	1981.2(63)	1648.9(73)	1812.8(81)	1902.5(80)	2266.6(67)	2234.9(63)	2509.5
European countries	50.7	89.3	1095.4	5550.8	8754.0(30)	11391.4(30)	9581.1(40)	12901.3(33)	8934.9(75)	12692.4(55)	14003.0(58)	12379.2
Netherlands	0.8	12.0	656.3	1020.8	2422.6(31)	2254.0(29)	2113.6(11)	2217.3(17)	1188.0(35)	1295.9(34)	1154.0(27)	480.5
United Kingdom	49.7	45.9	300.4	3296.5	5021.5(27)	7678.0(29)	3275.8(87)	3338.6(88)	4903.4(89)	6843.3(56)	6884.8(54)	7183.4
Germany	-	-	-	-	-	-	-	-	-	156.3(79)	102.5(98)	102.3
Others	0.2	31.4	138.6	1233.4	1309.9(39)	1457.4(34)	642.0(94)	751.0(88)	1568.1(94)	1836.3(93)	2363.6(95)	2383.0
Australasia	62.6	176.9	1889.0	3566.7	3226.7(45)	3205.7(51)	2348.8(66)	2355.8(66)	3352.9(73)	3031.2(57)	3965.7(60)	5586.9
Australia	62.6	176.9	530.5	1448.3	1773.1(59)	1821.2(72)	1708.7(74)	1756.1(72)	2486.9(74)	2518.6(58)	3225.1(64)	4528.3
New Zealand	-	-	1358.5	2118.4	1453.6(28)	1384.5(23)	640.1(45)	599.7(47)	866.0(69)	512.6(50)	740.6(41)	1058.6
Canada	-	17.6	-	-	-	-	-	-	-	55.7(78)	26.4(79)	106.0
United States	31.8	66.1	689.7	2635.2	2628.9(93)	2905.0(91)	6063.9(49)	4285.1(97)	6187.5(94)	7336.0(93)	8144.3(95)	9188.0
Caribbean/Latin America	-	-	-	-	-	-	-	-	-	39982.3(72)	42154.5(76)	42569.0
Other countries n.e.c.	242.9	185.9	2934.3	7386.3	9212.7(43)	15764.2(36)	17719.4(37)	18650.0(41)	22273.0(39)	8132.7(22)	9396.3(32)	7054.8
Total	**1677.7**	**2257.2**	**13621.7**	**46240.2**	**55536.4(54)**	**70640.5(51)**	**75622.4(56)**	**84218.6(56)**	**98291.1(58)**	**139683.7(58)**	**148436.3(61)**	**149878.0**

Table 1 (Cont'd). Singapore: OFDI stock, 1981-2003
(Millions of Singapore dollars; percentage of locally-controlled companies in parentheses)

Country	1981	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003[1]
Ratio to GDP at current prices	5.7	5.8	20.4	38.9	42.7	49.9	55.1	60.2	61.6	90.8	93.7	93.1
Percentage of non-manufacturing	-	-	79.6	75.4	79.3	79.1	76.6	72.8	74.6	79.5	80.5	80.2
Total (foreign)	799.4	585.1	6674.0	21982.8	25362.8	34998.2	33042.2	37068.8	40872.0	58476.4	58649.9	NA
Percentage of foreign	47.6	25.9	49.0	47.5	45.7	49.5	43.7	44.0	41.6	41.9	39.5	NA
Percentage of local	52.4	74.1	51.0	52.5	54.3	50.5	56.3	56.0	58.4	58.1	60.5	NA
Wholly local owned	298.2	709.9	2538.9	11106.3	15869.9	19553.4	25425.3	27668.3	33374.1	50132.6	57321.1	NA
Majority local owned	580.1	962.2	4408.9	13151.2	14303.8	16088.8	17154.9	19481.5	24045.0	31074.8	32465.3	NA
Wholly foreign owned	292.9	384.2	5347.9	16290.0	19224.3	26633.0	21600.2	23623.6	26812.6	41104.1	41916.9	NA
Majority foreign owned	506.5	200.9	1326.1	5692.8	6138.5	8365.2	11442.0	13445.2	14059.4	17372.3	16733.0	NA

Note: Data for 1981-1985 refer to direct investments abroad (D1), which are the amount of paid-up shares of overseas subsidiaries and associates held by companies in Singapore. Data for 1990-1995 refer to direct equity investments (D2), which are direct investment (D1) plus the reserves of the overseas subsidiaries and associates attributable to those companies. For overseas branches, the net amount due to the local parent companies is taken as an approximation of the magnitude of direct investment. Data for 1996-2002 refer to total direct investment abroad (D3), which are D2 plus loans granted to affiliates. From 1994 onwards, financial institutions such as banks, finance and insurance companies were included.
[1] Data for 2003 are preliminary.

Source: Department of Statistics, Singapore, *Singapore's Investment Abroad* (various years).

11. Despite Singapore's competitive strength in manufacturing, the sector accounted for only 20 per cent of OFDI in 1990, and declined to 8.5 per cent in 2002 (table 2). This decline was a consequence of the decrease in the share of manufacturing activities in Singapore's GDP in the same period. In terms of activity abroad, the share of the manufacturing sector remained fairly consistent, hovering between 18 per cent and 25 per cent in the same period. This difference in manufacturing's share reflects the changing industrial origin of Singaporean firms that engage in OFDI and the continuing importance of the manufacturing sector as a favoured industrial activity abroad. In other words, investors from Singapore may not be classified as manufacturing firms, even though they are investing in manufacturing activities abroad. Financial, transport and manufacturing firms were the three major investors from Singapore. They accounted for 86 per cent of Singapore's OFDI at year end 2002.

Table 2. Singapore: OFDI stock, by industry and activity abroad, 1990, 1995, 2000, 2002, 1990–2002

(Millions of Singapore dollars; percentage)

	1990		1995		2000		2002		Percentage
Industrial sectors	Value	%	Value	%	Value	%	Value	%	increase (1990-2002)
Manufacturing	2779.8	20.4	15241.2	30.7	10103.0	10.3	12603.0	8.5	353.4
Construction	251.3	1.8	837.5	1.7	792.0	0.8	818.0	0.6	225.5
Commerce	993.5	7.3	4746.5	9.6	10179.0	10.4	10258.0	6.9	932.5
Transport	825.1	6.1	2435.9	4.9	7334.0	7.5	23953.0	16.1	2803.0
Financial	6362.9	46.7	20546.1	41.4	59770.0	60.8	91777.0	61.8	1342.4
Real estate	1140.9	8.4	2939.7	5.9	5493.0	5.6	2917.0	2.0	155.7
Business services	1246.6	9.2	2744.3	5.5	4480.0	4.6	5839.0	3.9	368.4
Others	21.7	0.2	79.7	0.2	140.0	0.1	272.0	0.2	1153.5
Total	13621.8	100	49570.9	100	98291.0	100	148437.0	100	989.7
Activity abroad									
Manufacturing	2395.0	17.6	12418.9	25.1	24969.0	25.4	28925.0	19.5	1107.7
Construction	69.5	0.5	597.7	1.2	780.0	0.8	638.0	0.4	818.0
Commerce	1504.3	11.0	5092.0	10.3	8126.0	8.3	10149.0	6.8	574.7
Transport	347.2	2.5	2097.8	4.2	6185.0	6.3	12503.0	8.4	3501.1
Financial	7301.2	53.6	23845.7	48.1	47437.0	48.3	84691.0	57.1	1060.0
Real estate	1213.1	8.9	3610.4	7.3	7019.0	7.1	7282.0	4.9	500.3
Business services	511.6	3.8	1359.4	2.7	2251.0	2.3	2529.0	1.7	394.3
Others	279.8	2.1	548.8	1.1	1525.0	1.6	1720.0	1.2	514.7
Total	13621.7	100	49570.7	100	98292.0	100	148437.0	100	989.7

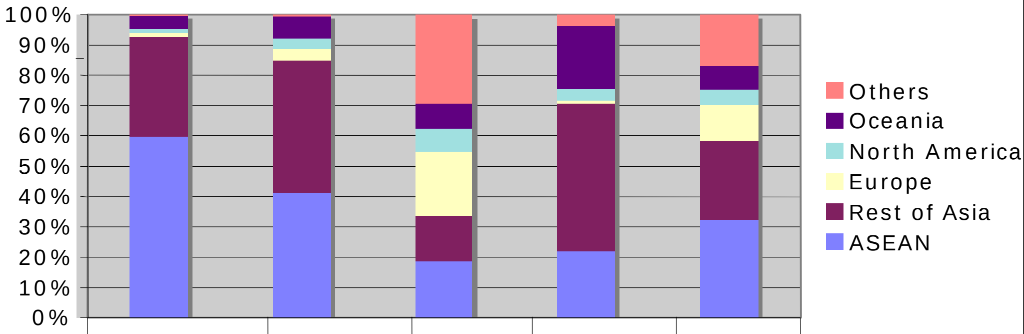
Notes and source: As for table 1.

12. Asia, in particular China and South-East Asian countries, accounted for the overwhelming majority of manufacturing, commerce and real estate investments from Singapore in 1996 (figure 1). By 2002, however, only about 45 per cent of manufacturing OFDI went to Asia as compared with 93 per cent in 1996. Oceania received 20 per cent and Europe 16 per cent of Singapore OFDI stock in 2002. A large proportion of real estate OFDI went to Europe (about 60 per cent), contributed by major hotel and property investments made by leading Singaporean firms. In the financial sector, Europe

13. (United Kingdom, Netherlands and Belgium) and other economies such as the Netherlands Antilles, Liberia and other tax haven locations emerged as the most important destinations for OFDI in 1996. The share of Asia in financial services OFDI rose to above 50 per cent in 2002, which reflected the recent waves of mergers and acquisitions made by Singaporean financial institutions in Indonesia, Hong Kong (China), the Philippines and Thailand.

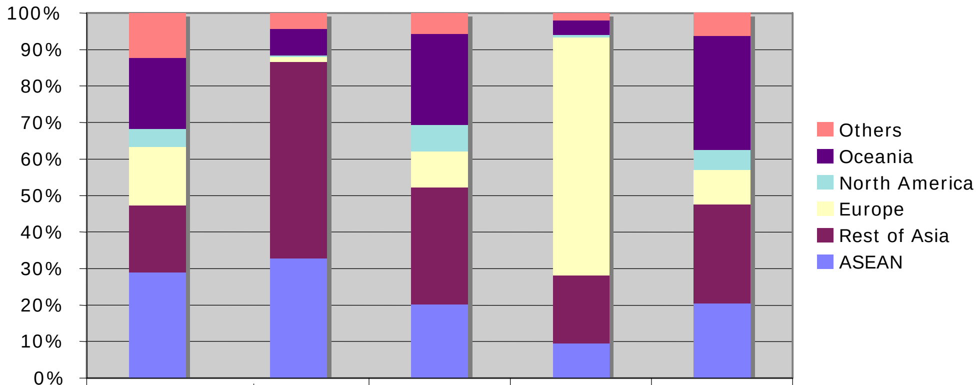
Figure 1. Singapore: OFDI stock, by geographical distribution and industry, 1996 and 2002
(Millions of Singapore dollars)

1996



	Manufacturing	Commerce	Financial	Real estate	Total
Others	54	35	8 150	142	9 415
Oceania	578	408	2 317	824	4 290
North America	175	219	2 149	146	2 841
Europe	161	213	5 862	39	6 741
Rest of Asia	4 448	2 496	4 187	1 919	1 4374
ASEAN	8 023	2 381	5 220	867	1 7995

2002



	Manufacturing	Commerce	Financial	Real Estate	Total
Others	1550.1	438.8	5196.7	58.7	9396.3
Oceania	2446	744.2	22965.6	116.5	46120.2
North America	619	52	6620.8	22.4	8170.7
Europe	2037.2	145.7	9047.3	1898.2	14003
Rest of Asia	2299.8	5508.3	29465.5	546.7	40233.7
ASEAN	3651	3369	18481.1	274.1	30512.5

Notes and source: As for table 1.

14. The 1993 regionalization drive had an impact on Singapore's OFDI to China. Some 151 of the 204 sample TNCs have established 365 subsidiaries in China. On average, each SINTNC has more than two subsidiaries in China. But the mean year of establishment is only 1992, indicating that at least half of these subsidiaries of SINTNCs in China must have been established after 1992. Other than China, Malaysia experienced a high concentration of SINTNC subsidiaries: 119 of the 204 SINTNCs established 273 subsidiaries in Malaysia. On the other hand, these SINTNCs are not as active in Europe and North America. Less than 20 per cent of them have a presence in both major regions and each of them has barely more than one subsidiary in these regions. This geographical concentration of OFDI suggests that while OFDI by Singaporean firms has a strong historical tie, it is happening to only a limited range of Singaporean companies. Most of the SINTNCs in the sample continue to focus on East and South-East Asia as their centres of business operations, an observation consistent with the OFDI statistics.

15. The extent of transnationalization by Singapore companies can be examined from the information provided in a recent ranking of the top 100 Singapore international companies conducted by International Enterprise Singapore (IE Singapore, 2005).[8] Out of these 100 SINTNCs, the top 12 are dominated by government-linked companies (GLCs) (table 3). In fact, all the top five SINTNCs are GLCs leading in OFDI in such strategic sectors as air transport, shipping, telecommunications, shipyard and shipbuilding, and property development. A number of these SINTNCs are also family-owned enterprises, e.g. Pacific International Lines (shipping), Hong Leong Asia (industrial) and City Developments Ltd (property development and hotels). The degree of transnationality varies among these 12 SINTNCs. For instance, Neptune Orient Lines, SingTel and Hong Leong Asia have a very high proportion of their sales and assets from outside Singapore – an outcome of their heavyweight subsidiaries abroad.

16. About two thirds of the cross-border M&A purchases by Singaporean companies in 1995-2004 were in Asia. Of the total 883 deals in the period, 13 per cent were in Malaysia, 13 per cent in Hong Kong (China), 10 per cent each in China and Australia, and 8 per cent in the United States. Services activities accounted for 70 per cent of Singapore M&A purchases in the same period. Finance dominates and was followed by business activities in such areas as real estate and business services. Of the top 15 M&A purchases between 1997 and 2004, most have been conducted since 2001 and were in electrical and electronics, transportation and finance (table 4). The industrial concentration of cross-border M&A purchases reflects the competitiveness of Singaporean companies in these industries and the increasing preference of Singapore companies for M&As as a mode of entry into internationalization.

Table 3. Singapore: Top 12 transnational corporations, 2004
(Millions of Singapore dollars; percentage; unit)

Rank	Name of company	Foreign assets	Total assets	Foreign assets as a % of total assets	Foreign sales	Total sales	Foreign sales as a % of Total sales
1	Singapore Airlines[a]	NA	19 990	NA	NA	9 762	NA
2	Neptune Orient Lines[b, c]	NA	4 064	NA	4 595	5 523	83
3	SingTel[a]	31 736	36 857	86.1	8 221	11 995	69
4	Keppel Corporation[d]	2 315	10 083	23.0	1 528	5 947	28
5	CapitaLand[d]	6 695	17 558	38.1	2 465	3 830	64
6	Pacific International Lines	NA	NA	n/a	2 396	2 495	96
7	Fraser & Neave[e]	2 765	7 374	37.5	2 242	3 446	65
8	SembCorp Industries[d]	NA	6 622	n/a	2 111	4 795	45
9	Olam International[f]	NA	1 242	n/a	NA	2 610	NA
10	Hong Leong Asia[d]	1 271	1 554	81.8	1 636	1 883	87
11	City Developments Ltd	NA	13 059	NA	1 419	2 326	61
12	DBS Group Holdings[d]	61 940	159 595	38.8	1 386	3 310	42

[a] Apr 01 2003 - Mar 31, 2004
[b] Jan 1 2003 - Dec 26 2003
[c] In US$ million
[d] Jan 1 2003 - Dec 31 2003
[e] Oct 1 2003 - Sept 30,2004
[f] July 1 2003 - June 30 2004

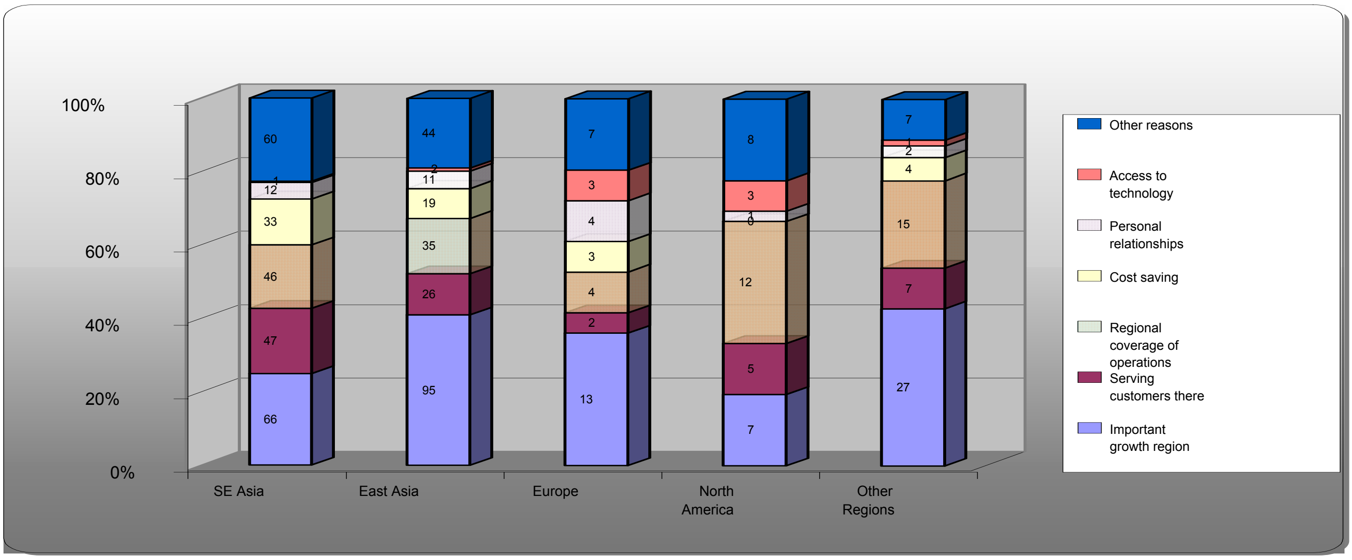
Source: Company annual reports.

17. In contrast to the internationalization by larger companies, Singapore SMEs tend to invest in the neighbouring economies. Greenfield activities are preferred because of the financial position and the scale of overseas operations of SMEs, which are relatively smaller. These SMEs tend not to pursue the M&A route to internationalization. They are thus mostly engaging in joint ventures with host country partners and establish their own production and service facilities. The preference for joint ventures and greenfield investment has a great deal to do with the lack of firm-specific advantages among these SMEs from Singapore. Their locational preference is also explained by their relatively weaker intra-firm coordination and management systems. In other words, SMEs from Singapore remain interested in regional markets rather than global markets.

III. Drivers and motivations of Singapore OFDI

18. Figure 2 summarizes the drivers and rationales of OFDI from Singapore on the basis of the responses of the 204 SINTNCs. SINTNCs venture into different host regions and countries for different reasons.[9] However, market presence is the single most important reason in explaining OFDI by SINTNCs. This market preference factor can be divided into three specific motivations.

Figure 2. Reasons for OFDI by SINTNCs, by host regions



Source: Survey conducted by Henry Wai-chung Yeung.

19. First, most SINTNCs ventured abroad because of the perception that the host countries are located in important growth regions for the industry, particularly those in East Asia. Many SINTNCs invested in China because of its potential to become one of the fastest and biggest growing markets in the world.

20. Second, some sampled SINTNCs were prompted by their regional or global customers to have a presence in the host countries in order to provide them with quality and customized products or services. This reason is equally important for both manufacturing and service SINTNCs. For those in manufacturing industries, having a presence in host countries significantly increases their chances of securing contracts as preferred suppliers. Those in service industries (e.g. producer services), have to globalize with their customers in order to serve them better. Size seems to work the other way round here. Typically, service SMEs do not have sufficient financial resources and management capabilities to spread their wings wide into the regional market. The client-driven factor is more important for large SINTNCs that have experienced serious constraints in Singapore's domestic market and have accumulated sufficient resources and expertise to go regional or global.

Table 4. Singapore: Top 15 cross-border M&A purchases, 1997-2004

(Millions of dollars)

Rank	Target company	Target industry	Target economy	Acquiring company	Acq ind	Value	Year
1	Cable & Wireless Optus Lt(C&W)	Telephone communications	Australia	SingTel(Singapore)	Radiotelephone communications	8 491.12	2001
2	Dao Heng Bank Group(Guoco)	Banks, non-US chartered	Hong Kong (China)	DBS Group Holdings Ltd	Banks, non-US chartered	5 679.70	2001
3	TXU Australia Ltd	Electric services	Australia	Singapore Power Pte Ltd	Electric services	3 720.00	2004
4	DII Group	Electronic components, nec	United States	Flextronics International Ltd	Printed circuit boards	2 591.00	2000
5	DBS Diamond Holdings Ltd	Investors, nec	Hong Kong (China)	DBS Bank	Banks, non-US chartered	1 964.93	2003
6	US Premium Office Properties	Operators of non-residential buildings	United States	Investor Group	Investors, nec	1 852.00	2004
7	ChipPAC Inc	Semiconductors and related devices	United States	ST Assembly Test Services Ltd	Instruments to measure electricity	1 458.68	2004
8	GPU PowerNet Pty Ltd	Combination utilities, nec	Australia	Singapore Power Pte Ltd	Electric services	1 264.00	2000
9	Virgin Atlantic Airways Ltd	Air transportation, scheduled	United Kingdom	Singapore Airlines Ltd	Air transportation, scheduled	884.00	2000
10	APL Ltd	Deep sea foreign transportation of freight	United States	Neptune Orient Lines Ltd	Transportation	878.50	1997
11	Gotaas-Larsen Shipping Corp	Deep sea foreign transportation of freight	Monaco	Osprey Maritime Ltd	Transportation	749.90	1997
12	Nortel-Mnfg Facilities (5)	Communications equipment, nec	Canada	Flextronics International Ltd	Printed circuit boards	725.00	2004
13	Indosat	Telephone communications	Indonesia	Singapore Technologies Telemed	Communications services, nec	635.06	2002
14	Telkomsel	Telephone communications	Indonesia	SingTel(Singapore)	Radiotelephone communications	627.00	2001
15	Hessenatie	Water transportation of freight, nec	Belgium	PSA Corp Ltd	Port services	605.48	2002

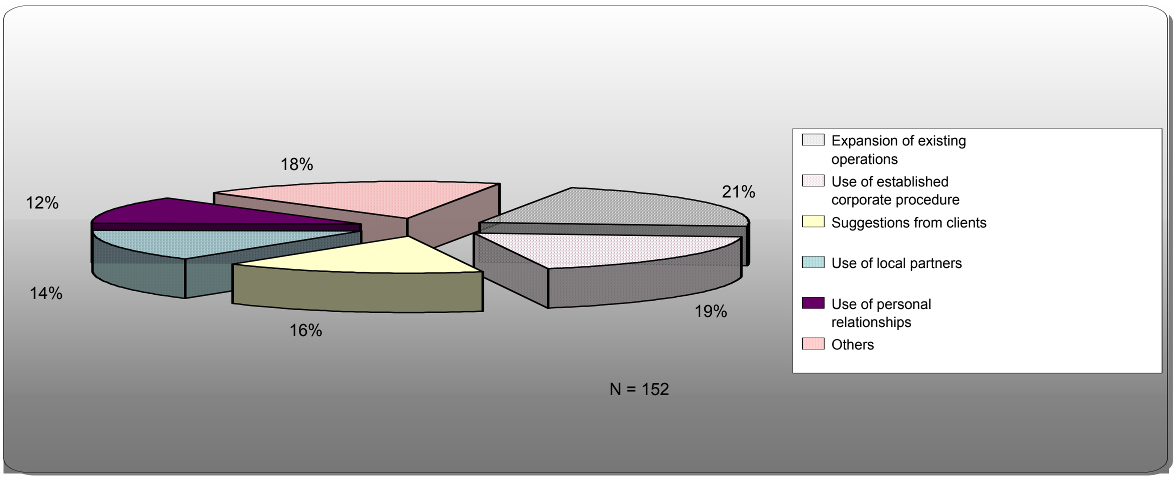
Source : UNCTAD, cross-border M&As database.

21. Third, SINTNCs ventured abroad to establish a regional or even global coverage of their operations. They had to be in the host countries in order to complete their networks of global operations. This factor is more significant for large SINTNCs that aim at the global market. Network coverage is the most important motive for SINTNCs investing in North America. For manufacturing SINTNCs, venturing into North America enabled them to become a truly global player in their respective industries. Access to technology is also an important motive for these high-tech manufacturing SINTNCs to venture into Europe and North America.

22. On the other hand, it is imperative for services-oriented SINTNCs to have a presence in North America because of the global nature of their business. Singapore Airlines' acquisition of a strategic stake in Virgin Atlantic Ltd in December 1999 to broaden its share in the transatlantic air travel market is an example. A similar earlier effort by City Developments Ltd. to acquire UK-based Millennium & Copthorne Hotels Plc in 1995 also enabled the former to have a global presence in the hotel industry.

23. Whilst a significant reason, cost saving is not the most important factor in fostering OFDI from Singapore. Most SINTNCs in the sample are not intensive manufacturers per se. Rather, they are high-value-added manufacturers or service providers. Production or labour costs constitute only a relatively low proportion of their total operational costs. Some SINTNCs are, however, motivated to invest in East and South-East Asia on the basis of personal relations with the local partners and customers. In some host countries (e.g. China and Malaysia), ethnicity and social connections played a role in motivating Singaporean investments there.[10] This set of motivations (cost, personal relationships and ethnicity and social connections) is particularly important for SMEs. They may be less relevant for the larger Singapore companies. As a consequence of this mixed set of motivations, SMEs from Singapore tend to invest regionally in nearby host countries that are both cheaper in terms of production costs and culturally closer in terms of ethnic relations (e.g. China and Malaysia).

Figure 3. Mechanisms of overseas operations by SINTNCs



Source: Survey conducted by Henry Wai-chung Yeung.

24. Some 21 per cent of SINTNCs established their overseas subsidiaries through an expansion of their existing operations or trading/sales relationships into a full-fledged manufacturing or services subsidiary in the host country (figure 3). These SINTNCs had prior experience and knowledge of the host countries through trading activities with customers there and frequent travel by staff to host countries to serve clients. Another interesting set of mechanisms is the role of local partners and the use of personal relationships in overseas operations.

IV. Impact of OFDI on competitiveness of Singapore enterprises

25. OFDI has helped increase the competitiveness of Singaporean companies in several ways (table 5). Some two thirds of SINTNCs in the survey agreed that OFDI had increased their companies' competitive advantages. The foremost important competitive advantage arising from OFDI in this survey is the increasing familiarity and experience in international business (exposure to foreign culture and business practices) that becomes a firm-specific asset.[11] This increase in familiarity and experience is particularly important for SMEs since they tend to have limited experience of different business cultures and practices. As they gain more knowledge and experience of foreign markets, these SMEs are better able to succeed in the host markets through direct presence. In other words, the relationship between internationalization and firm competitiveness is two-way in the sense that the former increases the latter and the latter leads to the former.

Table 5. Impact of OFDI on the competitive advantages of SINTNCs

Competitive advantages After OFDI	Total	Percentage
Yes	123	65.8
No	64	34.2
Total	187	100.0
Greater familiarity and experience	67	54.5
Better reputation	50	40.7
Better managerial expertise	34	27.6
Better product quality and services	30	24.4
Better marketing expertise	24	19.5
Special contacts and connections	24	19.5
Possession of specialized materials and resources	19	15.5
Greater financial assets	17	13.8
greater technological edge	14	11.4
Others	31	25.2
Total	123	100.0

Source: Survey conducted by Henry Wai-chung Yeung.

26. Another related factor in the role of OFDI in enhancing firm competitiveness is reputation and perhaps brand image. Increased competitiveness can result from the growing reputation of a Singaporean firm in both domestic and foreign markets. Some 41 per cent of respondents cited “better reputation” as an outcome of increased competitiveness in relation to OFDI. In the manufacturing industry, this reputation as a TNC is equally important in a bargaining context. Potential clients of Singaporean firms often ask whether the latter have operations outside Singapore. These clients view foreign presence as an indication of the competitiveness of SINTNCs.

27. Another source of competitive advantages relates to better managerial and marketing expertise. One fifth of respondents named these factors as an outcome of their OFDI activities. This finding is again not entirely surprising. While organizational capabilities are an important initial precondition for OFDI to occur, these capabilities can be further enhanced through foreign operations. This increased competitiveness results from new knowledge and learning acquired in contrasting foreign cultures. Subsidiaries of SINTNCs are also able to gain differentiated experience and expertise that would otherwise not be made available.[12]

28. OFDI also leads to better product/service quality and greater technological edge. This increased competitiveness in product and process is particularly linked to Singapore OFDI in advanced industrialized economies such as the United States and Western Europe. In the manufacturing industry, some leading technology-driven SINTNCs such as Creative Technology (PC sound cards), Aztech Systems (ADSL products) and Singapore Technologies Engineering have benefited enormously from their operations in the United States, which allow them to gain access to cutting-edge technology. Their United States operations also serve as listening posts that put them in a better position to improve their product and process technologies by being nearer to their customers.

29. While the survey did not capture the profitability indicator, an increase in revenues as a result of OFDI activities for enterprises highlighted in table 3 deserves mentioning. Many of the leading SINTNCs have major stakes in a single affiliate, a consequence of some large-scale acquisitions conducted since the mid-1990s. Neptune Orient Lines' (NOL) US subsidiary, American President Lines, contributed 61 per cent and 22 per cent of NOL's revenues in 2004, which were respectively generated from the Americas and Europe, making it the largest Singapore TNC in terms of revenue from the two regions. SingTel, the largest local telecommunications group, reported a consolidated sale of S$ 12 billion in 2004, of which its Australian subsidiary SingTel Optus (acquired in 2001) contributed some two thirds. City Developments Ltd (CDL) is another example. Its UK-based Millennium & Copthorne Hotels Plc., an acquisition completed in 1995, contributed much to its revenues from the Americas (S$ 510.8 million) and Europe (S$ 454 million) in 2004. The two markets alone accounted for 68 per cent of CDL's total foreign sales.

30. The wave of large-scale cross-border acquisitions by leading SINTNCs after 1995 marked a significant development in the internationalization of Singaporean firms (table 4). It demonstrated the serious commitment of Singaporean firms, particularly the leading TNCs, to globalize their operations and to tap into potential overseas markets and generate revenues from abroad. It also indicated the increasing preference of leading SINTNCs to grow through acquisitions rather than new subsidiaries abroad. Through these acquisitions, leading SINTNCs aimed to gain access to firm-specific competencies in the target firms that often take time to develop in-house. The acquisitions reflected the growing competitiveness of these SINTNCs and their capabilities in managing complex financial arrangements in relation to these acquisitions.

31. In the service industry, this increased competitiveness comes from the significantly improved understanding of foreign markets and therefore the possibility of greater customization of products and services. This client-driven service is particularly important in such important markets as North America and Western Europe. Even in Asia, there is a greater demand for customized services. OFDI allows many services SINTNCs to build stronger relationships with their existing customers and to develop new markets in the host countries.

V. Promoting OFDI: Key laws and regulations

Main institutional support

32. Although there are no specific laws promoting OFDI, the Singapore Government has been relentlessly promoting OFDI by indigenous Singaporean firms since 1993 as a major strategy to diversify its export-oriented domestic economy. A very important agency of Singapore's OFDI is the significant role of government-linked companies (GLCs) that were previously established as State-owned enterprises for specific developmental purposes. Since the late 1980s, many former large State-owned enterprises, through privatization, have been listed on the Stock Exchange of Singapore (e.g. Singapore Airlines, Keppel Corporation, Sembawang Holdings). These former State-owned enterprises are known GLCs because the State still retains significant influence over their management control primarily through four State-owned holding companies – Temasek Holdings, Singapore Technologies, MinCom Holdings and MND Holdings. By the early to mid-1990s, the public sector and GLCs accounted for about 60 per cent of Singapore's GDP.[13]

33. Apart from these GLCs under the stewardship of Temasek Holdings in spearheading OFDI from Singapore, three government agencies are also strategically important in promoting OFDI from Singapore:

- International Enterprise Singapore (IE Singapore);
- Economic Development Board (EDB);
- Standards, Productivity and Innovation Board (SPRING).

34. IE Singapore is the former Trade Development Board (TDB) that was in charge of promoting Singapore's external trade until its name change in 2002. TDB was first established in 1965. IE Singapore is responsible for helping Singapore-based enterprises internationalize.[14]

35. In 1961, the Economic Development Board (EDB) of Singapore was established as a one-stop investment promotion agency to assist foreign firms in their operations in Singapore. Working closely with the Ministry of Trade and Industry, the EDB has since played a key role in shaping the Singapore economy through its efforts to solve the unemployment problems, promote investment, train manpower and develop the industrial sector.[15] The main concern of the EDB was and still is to attract foreign (preferably global) firms to invest in Singapore. Since 1993, the EDB has experienced major changes in its strategic orientation and business outlook. It no longer focuses exclusively on attracting world-class manufacturing firms to invest in Singapore; it has also formed a division specifically for promoting the regionalization of Singaporean firms (annex a).

36. Growing out of its previous existence as the Productivity and Standards Board (PSB), SPRING's has as its mission the enhacement of the competitiveness of local enterprises for a vibrant Singapore economy. It nurtures a pro-business environment that encourages enterprise formation and growth, facilitates the growth of industries, enhances the productivity, innovation and capabilities of enterprises, and helps increase access to markets and business opportunities. Its ultimate aim is to nurture a host of dynamic and innovative Singapore enterprises that can serve the domestic market and invest in the regional and global marketplace.

Facilitative policy measures

37. The Government also provides various facilitative measures in promoting OFDI. These include the following:

- regionalization of GLCs and companies set up by statutory boards;

- "political entrepreneurship" through which the state opens up overseas business opportunities for private capitalists and negotiates the institutional framework for such opportunities to be tapped by these Singaporean firms, and
- generous support mechanisms that range from tax incentives to capability building.

38. The state's involvement in regionalization through GLCs and other companies set up by statutory boards is run on a commercial basis. With specialized expertise and commercial experience, these GLCs and companies of statutory boards can partner with private sector companies and even take the lead in large projects. The state, however, does not take on a greater proportion of the risk than what the private sector investors of the project are prepared to take. GLCs and companies of statutory boards are prepared to take the lead only in large infrastructural projects. In most other projects, the private sector entrepreneurs are expected to bear the primary risks and take on the majority stakes.

39. By 2005, there is a large variety of facilitative measures and specific types of incentives offered primarily by EDB, IE Singapore, and SPRING to promote OFDI. The Singapore Government has been working on establishing free trade agreements (FTA) with respective countries to remove trade and investment barriers. The Ministry of Trade and Industry reckons that a network of FTAs can be designed to support the business community in moving up the value-add ladder and knowledge chain. Singapore had also signed bilateral investment treaties and double taxation avoidance agreements with various countries.

40. Other facilitative measures through various agencies to promote OFDI include grants, loans, tax incentives, and equity financing. Both EDB and IE are open to all local companies with various kinds of support. For instance, in terms of equity financing, the Growth Financing Program from EDB provides equity financing for overseas expansion that matches S$ 1 for every S$ 2 raised from third party investors. The EDB's SEEDS also provides similar equity financing to encourage development of new/better products or processes that are innovative, scalable and have potential for global markets.

41. In terms of loans, the EDB has the Approved Foreign Loan Incentive (AFL) with a minimum of S$ 200,000 that helps companies improve ability to access offshore financing for investment. Its Local Industry Upgrading Program (LIUP) continues to support local suppliers to upgrade through collaborations with foreign firms. The Regionalization Finance Scheme (RFS) from IE Singapore also helps local SMEs (total assets less than S$ 30 million) to set up overseas operations. Other IE Singapore's programmes such as the Overseas Investment Incentive (OII) provides a three-year support encouraging local companies to make overseas investments that generate spin-offs to Singapore, for example the enhancement of operations in Singapore and the creation or acquisition of new markets overseas that increase production, export sales and services of companies from Singapore.

42. For tax incentives, the programmes administrated by IE Singapore such as Double Deduction for Overseas Investment Development Expenditure (DD) allow a double deduction of up to S$ 200,000 per approval against the income of approved expenditure incurred in initiating and developing investment outside Singapore. This encourages local companies to explore overseas investment opportunities that will enable them to enhance their competitiveness expand and grow. Programme of the EDB such as the Expansion Incentive for Partnerships (EIP) provide a tax exemption on 50 per cent of the qualifying overseas income above a predetermined base that helps Singapore companies establish competence and conduct a substantial amount of regional activities. Also, the Integrated Industrial Capital Allowance (IICA) allows companies to claim capital allowances for approved expenditure on plant and equipment used in overseas subsidiaries.

43. In general, SPRING targets SMEs as several of its assistance schemes (e.g. LEFS, V-Loan, LETAS) have a ceiling of fixed assets of no more than S$ 15 million and of fewer than 10 (service industry is up to 200). In addition, there are many programmes of IE, EDB and SPRING that target information-or technology-oriented sectors (such as high-tech and bio-tech). There are no explicit restrictions on using those financial supports for overseas operation or market expansion, as long as the core and highest-value activities remain in Singapore. The EDB also has an investment arm that acts as the "visible hand" of the Government in promoting the productivity, innovativeness and competitiveness of companies in Singapore through different channels.

VI. Conclusion

44. Singapore is an established outward investor among the developing economies. It is the second largest outward direct investor after Hong Kong (China). The geographical spreads of Singapore OFDI are extending to more regions and countries. While most of the major OFDI activities are associated with large Singaporean companies, more Singapore SMEs are also investing abroad for reasons similar to those of their larger counterparts. OFDI by Singapore SMEs is in most cases through greenfield and joint-venture activities rather than cross-border M&As because of their financial positions and scale of their operations. SMEs from Singapore remain interested in regional markets rather than global markets but the larger enterprises are investing as farafield as in Europe, the Middle East and Africa.

45. There is clearly a growing awareness among Singapore enterprises of the importance of competing in the global economy through direct presence in host countries. Singapore has engaged in a greater amount of OFDI through its indigenous enterprises, than have other developing countries. Several reasons account for this phenomenon. First, the country's limited domestic market is a very significant "push" factor in propelling Singapore enterprises to expand their markets abroad. Second, Singapore's role as an international financial centre has contributed to the availability of capital for internationalization, and access to good information on foreign markets has proved crucial to successful OFDI. Third, the Singapore Government plays a significant role in promoting OFDI.

46. The direct presence of several government agencies (e.g. EDB and IE Singapore) in key markets further offers assistance and assurance to Singaporean investors. These institutional frameworks are perhaps more effective in supporting OFDI than are OFDI incentives per se. In other words, it is not enough to just offer tax breaks or loans to Singaporean firms and hope they will invest abroad. The provision of "after-sales care" to these Singaporean investors abroad might be much more effective in resolving their day-to-day problems encountered in foreign markets.

47. Since 1993, substantial OFDI from Singapore has helped increase the competitiveness of Singaporean firms and the Singapore economy. Through OFDI, Singapore companies gain better access to competitive markets; but equally important is the ability to access sophisticated technological knowledge and managerial skills which are needed in order to be competitive.

48. Selected cases of Singapore enterprises revealed that a significant proportion of their revenues and assets were related to OFDI activities. Two thirds of the Singapore firms surveyed confirmed that OFDI had increased their competitiveness. OFDI had contributed to increasing familiarity and experience with international business, which enhance firm-specific assets, including improving the reputation and brand image of Singaporean enterprises. Such internationalisation has also helped strengthen managerial and marketing expertise and market access.

49. Like the larger enterprises, SMEs from Singapore have benefited from the regionalization of their operations. Singapore enterprises, particularly SMEs, are able to sustain their cost competitiveness through their manufacturing presence in nearby countries within the region. They tend to invest within the Asian region, focusing primarily on such low-cost destinations as China, Indonesia, Malaysia, Thailand and Viet Nam. OFDI had also played a critical role for Singapore

SMEs to continue to support their main customers overseas. It has allowed some Singapore SMEs to develop new markets in the host countries. As SMEs find it increasingly difficult to expand their market in Singapore, they begin to look for more business opportunities in the Asian region. Their operations can be quite specific in that they invest abroad to produce for export markets or to produce for their large customers locally. Over time, however, they have diversified into other business activities such as property development and trading. This unexpected diversification in business activities has provided Singaporean SMEs with a new avenue for business growth and development.

Notes

[1] For a complete analysis of these data, see Henry Wai-chung Yeung (2002).

[2] Interviews were conducted with executives from 204 parent companies headquartered in Singapore and 56 subsidiaries in Hong Kong (China) and China. At least 76 per cent of the respondents were chairmen, CEOs, managing directors, presidents and senior vice-presidents, executive directors and general managers. Secondary data on Singapore's OFDI and top 100 TNCs were obtained from the Department of Statistics, the Ministry of Trade and Industry, and International Enterprise Singapore, a statutory board of the Singapore Government that helps Singaporean companies to internationalize. Websites of major government institutions were consulted for key laws and regulations.

[3] It should be noted that the Department of Statistics defines foreign-controlled companies as either wholly owned (100 per cent) or majority-owned (at least 50 per cent of paid-up shares). This relatively high percentage required for control implies that many SINTNCs may be considered as local-controlled even if some 20-49% of their shares are owned by a single foreign investor. Since 1996, the Department of Statistics data have included data on local-owned companies for some variables (e.g. host countries and activity abroad).

[4] The Department of Statistics does not publish annual flow data on outward FDI from Singapore. Instead, only stock data are published. All flow data are calculated from these stock data by subtracting the previous year from the current year.

[5] Since 1994 the OFDI data series has included loans granted to affiliates abroad.

[6] It is difficult to estimate the exact percentage of Singapore's OFDI into China that is channelled through Hong Kong (China). Through personal interviews with many subsidiaries of Singapore TNCs in Hong Kong (China) I found that some large banks and property developers from Singapore have invested in China out of their Hong Kong (China) operations. These large scale investments may account of a significant portion of OFDI from Singapore to Hong Kong (China). The main reason for this pattern of channelling OFDI through Hong Kong (China) is to enable better control and management of these China-bound investments out of the Hong Kong offices of Singaporean TNCs.

[7] In terms of activity abroad by Singaporean firms, the financial sector's share of OFDI hovered consistently in the range of 54 per cent 56 per cent in 1990-2003.

[8] In terms of overseas revenues and regional breakdown of these revenues. See *The Straits Times*, 3 February 2005, for details of the report by IE Singapore. The ranking is also available on the IE Singapore website, http://www.iesingapore.gov.sg, accessed on 23 March 2005.

[9] This variation is explained by different strategies for FDI by different TNCs. See further theoretical arguments in John H. Dunning (1998 Grazia Ietto-Gillies (2005).

[10] See a full analysis in Henry Wai-chung Yeung (2004).

[11] Athanassiou, Nicholas and Nigh, Douglas (2000), and Blomstermo, Anders and Sharma, D. Deo (eds.) (2002).

[12] See further ideas in Nohria, Nitin and Ghoshal, Sumantra (1997).

[13] See Ministry of Finance (1993) and Kulwant Singh and Ang Siah Hwee (1998).

[14] http://www.iesingapore.gov.sg, accessed on 23 March 2005.

[15] See two book-length analysis of EDB: Linda Low, Toh Mun Heng, Soon Teck Wong, Tan Kong Yam and Helen Hughes (1993).

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Annex OFDI-facilitating programme by agencies of the Singapore Government, 2004

Programme	Nature of support	Agency	Specific to OFDI	Goal	Ownership of recipients	Special requirements
Growth Financing Program	S$1 million max	EDB	Yes, and highest value-added functions reside in SG	Equity financing for earnest overseas expansion activities; every S$ 2 raised from third party investors will be matched by S$1 from EDB	Incorporated in SG and core activities in SG	-
SPRING SEEDS	S$ 300,000 max	SPRING	Yes, and highest value-added functions reside in SG	Matching every dollar raised by a start up from third party investor up to max. S$ 300,000;	Incorporated in SG and core activities in SG	-
Approved Foreign Loan Incentive (AFL)	Loan: min S$ 200,000	EDB	Yes	improves company's ability to access offshore financing for investments	-	-
Expansion Incentive for Partnerships (EIP)	Tax incentives	EDB	Yes	Leads to establishment of a regional centre of competence;	At least 50% of equity stake be held by SG tax residents (accounting/law firms legally constituted as partnership)	-
Integrated Industrial Capital Allowance (IICA)	Tax incentives	EDB	Yes	allows companies to claim K allowances for approved expenditure on plant & equipment used in overseas subsidiaries;	Plants or equipment must be owned by SG	-
Regionalization Finance Scheme (Indonesia) (RFS-I)	Fixed rate loans	EDB	Yes	investment in manufacturing operations or set up/expand operations in Indonesia	All SG companies	-
Startup Enterprise Development Scheme (SEEDS)	Equity: matching funds for startups which have third party investors	EDB	Yes	Encourages entrepreneurship (scalability for the international market)	Innovative enterprises	-
Double Deduction for Overseas Investment Development Expenditure (DD)	S$ 200,000 max	IE	Yes	Encourages local enterprises to explore overseas investment opportunities	SG registered company/firm with operations in SG (30% SG citizens or permanent residents)	-
Overseas Investment Incentive	3 years from date of approval	IE	Yes	Encourages SG companies to make investments overseas that generate spin-offs to SG (e.g. enhance SG operations, productions, exports sales, etc.)	Min. 50% of paid-up capital beneficially owned by SG citizens or permanent residents	>10 employees; min S$5 million turnover; for new place or new product or new tech outside Singapore

Regionalization Finance Scheme (RFS)	S$ 10 million max	IE	Yes	helps local enterprises to set up operations overseas (purchase of fixed assets, purchase or construction of factories or buildings)	SG-based or SG-listed company (min 51% SG local equity)	<200 in service sector and <$30 million in turnover
Double Tax Deduction for Market Development Scheme		STB	Yes	Encourages SG companies to expand overseas	SG registered companies or company having a permanent establishment in SG	-
EDBV Management Pte Ltd (EDBVM)	Manages the venture capital and private equity investments of EDB	EDB	Some (61% in SG by portfolio companies, 29% by # of funds)	Commercializes innovative and emerging technology, develops new business models and brings together new talents to create transformational opportunities that have a global impact/market	-	-
TIF Ventures Pte Ltd	Government-owned Fund-of-funds mgmt company	EDB	Some	Promotes high-growth tech-oriented companies in SG	-	-
Loan Insurance Scheme II (LIS II)		IE	Some	Offers SG-based companies an additional source of financing to fuel their entrepreneurial aspirations	SME: 30% local shareholding	<200 in service and <S$15 million in turnover
Loan Insurance Scheme II (LIS II)	1 year	IE	Some	Offers SG -based companies an additional source of financing to fuel their entrepreneurial aspirations	ISC: 30% local shareholding	200-500 in service; S$15-50 million in turnover
Enterprise Investment Incentive Scheme (EII)	S$3 million max	SPRING	Probably not, as start-up activities in SG	Mainly for start-up and unlisted in initial years of existence with a paid-up capital of at least S$ 10,000	-	-
innovation Development Scheme (IDS)	Grants	EDB	Not sure	Supports innovation-based activities (expenditure)	All SG companies	-
Investment Allowance (IA)	Tax incentives	EDB	Not sure	Introduces new technology to the industry	-	-
Resource Productivity Scheme (RPS)	Fixed rate loans	EDB	Not sure	-	SG-based companies	-
Local Industry Upgrading Program (LIUP)	Grants	EDB	Maybe	Provides support for local suppliers to upgrade through collaborations with foreign firms	-	-
Local Enterprise Finance Scheme (LEFS)	S$15 million max.	SPRING	Maybe	Fixed interest rate financing programme	At least 30% local equity	< 200 in non-manufacturing and < S$15 million in turnover

Micro Loan Program	S$ 50,000	SPRING	Maybe	Fixed interest rate financing programme	At least 30% local equity	< 10, <200 in group employment in service and < S$15 million in turnover
Variable Interest Loan Scheme (V-Loan)	Same as LEFS and Micro loan	SPRING	Maybe	Complements the existing LEFS	At least 30% local equity	< 10, <200 in group employment in service and < S$15 million in turnover
Bio*One Capital	Manages funds investments in biotech, pharmaceutical & medical technology	EDB	Maybe	Enhances the level of biomedical industrial activities in SG	-	-
Loan Insurance Scheme (LIS)	-	SPRING	-	Same as LIS II from IE	-	-
Local Enterprise Technical Assistance Scheme (LETAS)	-	SPRING	-	-	at least 30% local equity	< 10, <200 in group employment in service and < S$15 million in turnover

Source: Websites of various government agencies.