

VIETNAM & SINGAPORE A GOOD COOPERATIVE RELATIONSHIP

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In the race for investment opportunities in Vietnam, there was a remarkable fact in the first months of 1997: Singapore, a small country with a population of some 3 million, became one of leading investors in Vietnam with 150 projects worth over US\$5 billion, representing 18,5% of total foreign direct investment.

In the early 1990s, Singapore wasn't put on the list of ten leading investors in Vietnam (1992). Up to the end of 1993, Singapore ranked fifth in the list, below Taiwan, Hong Kong, South Korea and Malaysia. In 1994, it rose to the third position, below Taiwan and Hong Kong. In 1995 when Japan promoted its investment in Vietnam after the embargo was lifted and rose to the second position, Singapore fell to the fourth one. But in 1996 and at the beginning of 1997, Singapore rose to the top of the list: Singapore invested more money in Vietnam than Japan and South Korea put together and its total investment was 6.5 times higher than what the US\$ put in Vietnam.

Singapore ranks first because of not only its total investment, but also the average capital put in each project: US\$ 30 million in comparison with 16 million for

Five leading investors in Vietnam

Rank	1993	1995	1997	Registered capital (US\$ bil)
1	Taiwan	Taiwan	Singapore	5.0
2	Hong Kong	Japan	Taiwan	4.0
3	South Korea	Hong Kong	Hong Kong	3.2
4	Malaysia	Singapore	South Korea	2.5
5	Singapore	South Korea	Japan	2.4

Source: Thời báo kinh tế Việt Nam

an average project of Taiwan or Japan and 14.5 million of an American project.

Although its investment is the biggest but Singapore ranks fifth regarding the amount of projects. The number of Singaporean projects and their average investment increase over time: in 1995, the average capital for a project was only US\$15 million. The increase in average investment shows not only that Vietnam's business environment has become more trustworthy and favorable but also that Singaporean investors have put more money in capital intensive industries, such as manufacturing, construction, post and communications...

Licensed Singaporean projects were realized at the highest speed, and only a few of its projects was revoked or abandoned. Large industrial parks saved for Singaporean investors in Đồng Nai and Bình Dương have been built fast and helped to improve the Vietnam - Singapore partnership.

Besides investment relation, the bilateral trade between Vietnam and Singapore has developed well. In the 1980s, Singapore was only a minor customer who bought only 5% of Vietnam's exports and represented 1.3% of Vietnam's imports (1985), but up to the mid - 1990s, Singapore represented 15% of Vietnam's exports and 22% of Vietnam's imports (not including trade with foreign - invested companies in Vietnam). The value of Vietnam - Singapore trade has made a tenfold increase in the last 10 years. At present, Singapore is the second biggest buyer (below Japan) and the biggest supplier to Vietnam. Vietnam's trade with Singapore and with Japan had the same value, but with Japan, Vietnam had a trade surplus and suffered a trade gap with Singapore. Imports from Singapore represents the biggest percentage, two times higher than what imported from Japan and equal to imports from European countries put together. In present Vietnam foreign trade, Singapore and Japan are the two biggest trading partners who represent some 40% of Vietnam's foreign trade.

If we know that Singaporean per capita income is lower than that of Japan, and its population is equal to 2.5% of Japanese population, we can see that Singaporean investment and trade with Vietnam assume greater importance. A Singaporean citizen invests over US\$1,600 in Vietnam on average, 80 times higher than a Japanese counterpart. The value of goods traded with Vietnam by a Singaporean is 40 times higher than what traded by a Japanese.

Why are Vietnam - Singapore investment and trading relations so good? The Vietnam - Singapore relationship, in fact, has been formed and developed for only some 10 years but it was so improved that Singapore became the most important investor and trading partner to Vietnam. It's easy to see that the two countries have different comparative advantages and this situation is favorable for the development of economic cooperation. Singapore is a NIC with the highest growth rate in Southeast Asia. It has a small area (600 sq.km), high population density (5,000 people per sq.km) and no mineral resources and agriculture, while Vietnam is rich in agricultural products, minerals and labor force, but badly in need of capital and high technology. Geographical closeness and similarities in history, culture and social features are also conditions favorable for their cooperation.

However, Singapore isn't a big market, so in the long run, Vietnam had better pay attention to other partners with bigger potentialities in order to attract more investment and expand foreign trade.