FOREIGN INVESTMENT IN SINGAPORE:
Some Broader Economic and Socio-Political Ramifications

by

Lim Joo-Jock and others

FIELD REPORT SERIES NO. 13
Institute of Southeast Asian Studies
Price: S$15.00
The Institute of Southeast Asian Studies was established as an autonomous organization in May 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia. The Institute's research interest is focused on the many-faceted problems of development and modernization, and political and social change in Southeast Asia.

The Institute is governed by a twenty-four member Board of Trustees on which are represented the National University of Singapore, appointees from the government, as well as representatives from a broad range of professional and civic organizations and groups. A ten-man Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute's chief academic and administrative officer.

*The responsibility for facts and opinions expressed in this publication rests exclusively with the author and his interpretations do not necessarily reflect the views or the policy of the Institute or its supporters.*

“Copyright subsists in this publication under the United Kingdom Copyright Act, 1911, and the Singapore Copyright Act (Cap. 187). No person shall reproduce a copy of this publication, or extracts therefrom, without the written permission of the Institute of Southeast Asian Studies, Singapore.”
Publications Review Committee

Professor Kernial S. Sandhu (Chairman)

Dr. Corazon M. Siddayao (Co-ordinator)

Mrs. C.P. Chin

Dr. Huynh Kim Khanh

Mrs. P. Lim Pui Huen

Mr. M. Rajaretnam

Mrs. Christine Tan
Foreign Investment in Singapore: Some Broader Economic and Socio-Political Ramifications is the thirteenth in the Field Report series published by the Institute of Southeast Asian Studies.

Lim Joo-Jock is Research Officer at the Institute of Southeast Asian Studies, and has lectured in the University of Rangoon and the University of Malaya in Singapore. Prior to joining the Institute, he was engaged in commercial market research. His publications include various articles on the region, including "Singapore: Surmounting Assessables, Encountering Intangibles" in Southeast Asian Affairs 1976. He has co-edited and contributed papers to Trends in Thailand II (Singapore University Press, 1976) and to a forthcoming ISEAS publication, Southeast Asian Perceptions of Foreign Aid.

Lim Yoon Lin is Research Officer at the Institute of Southeast Asian Studies, editor of Trends in the Philippines (Singapore University Press, 1972) and author of several articles on Malaysia and the Philippines.

Corazon M. Siddayao, Ph.D., is an economist and Senior Research Officer at the Institute of Southeast Asian Studies. She was on the faculty of the Department of Economics, George Washington University, as well as Consulting Economist at the U.S. Federal Energy Administration's Office of Oil and Gas, the Ford Foundation's Energy Policy Project, and the World Bank's Economic Analysis and Projections Department. Her publications include Increasing the Supply of Medical Personnel: Needs Alternatives (American Enterprise Institute, 1973, co-author); "Major Energy Resources in A Time to Choose" (Ballinger, 1974); "The Efficacy of Price Mechanisms to Reduce Domestic Oil Consumption," in Akron Business and Economic Review (1976, co-author); and Southeast Asia's Offshore Petroleum Resources: Economic Considerations Related to Conflict Situations (forthcoming, 1977).

Raja Segaran Arumugam was Research Officer at the Institute of Southeast Asian Studies from 1972 to 1977. He has written articles on Indonesia and Burma in Southeast Asian Affairs and his paper in the Institute's Research Notes and Discussions series, State and Oil in Burma: An Introductory Survey, is forthcoming.

The responsibility for facts and opinions expressed in the work that follows rests exclusively with the various contributors, and their interpretations do not necessarily reflect the views or policy of the Institute or its supporters.

* * *
The Institute publishes books and papers from time to time in the following series:

BOOKS/MONOGRAPHS: specialized studies on topics relating to Southeast Asia. SOUTHEAST ASIAN AFFAIRS: an annual review of significant political, economic and social developments in the region, with emphasis on the ASEAN countries. Contents include analyses in depth of topics of regional concern and of specific issues on a country-by-country basis.

FIELD REPORTS: studies embodying the results of, and based exclusively on, the Institute's research programme; OCCASIONAL PAPERS: professional papers issued periodically on a variety of topics of regional interest; RESEARCH NOTES AND DISCUSSIONS: contributions which represent the tentative results of ongoing research, and of discussions, printed for the purpose of stimulating further thought on specific subjects.

TRENDS IN SOUTHEAST ASIA: papers and proceedings of Trends seminars held on individual Southeast Asian countries; INTERNATIONAL CONFERENCES: publications based on proceedings of International Conferences sponsored by the Institute itself or in conjunction with other organizations; CURRENT ISSUES SEMINAR: publications growing out of the Institute's Current Issues series of seminars, the objective of which is to bring together knowledgeable and interested people to discuss topics of current concern and importance to the region.

SOUTHEAST ASIAN PERSPECTIVES: aimed at wider circulation of Southeast Asian thinking, these publications are original contributions in English of Southeast Asians or translations of their significant papers and monographs appearing in one of the local or national languages of the region; ORAL HISTORY PROGRAMME: publications based on the oral memoirs of persons who have made notable contribution to, or have first-hand information to impart on, certain aspects of the development of Singapore and Malaysia; LIBRARY BULLETINS: papers on Southeast Asian librarianship and bibliography.

1 April 1977

Director
Institute of Southeast Asian Studies
## CONTENTS

**INTRODUCTION**

<table>
<thead>
<tr>
<th>PART I: FOREIGN INVESTMENT AND INDUSTRIALIZATION IN SINGAPORE: Adaptive Policies and Responses in an Internationally Competitive Situation</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PART II: SOME MUTUAL VIEWS AND ATTITUDES</strong></td>
<td>93</td>
</tr>
<tr>
<td><em>Lim Yoon Lin</em></td>
<td>107</td>
</tr>
<tr>
<td><em>Raja Segaran Arumugam</em></td>
<td></td>
</tr>
<tr>
<td><strong>PART III: SINGAPORE’S PETROLEUM SECTOR: A Case Study of the Country’s Investment Growth</strong></td>
<td>129</td>
</tr>
<tr>
<td><em>Corazon M. Siddayao</em></td>
<td></td>
</tr>
<tr>
<td><strong>PART IV: THE MULTINATIONAL PETROLEUM COMPANIES AND THEIR RETAILERS IN SINGAPORE: A Potential Conflict Situation</strong></td>
<td>163</td>
</tr>
<tr>
<td><em>Lim Joo-Jock</em></td>
<td></td>
</tr>
<tr>
<td><strong>PART V: SOME ASPECTS OF THE WIDER POLITICAL AND SOCIAL RAMIFICATIONS OF FOREIGN INVESTMENT</strong></td>
<td>201</td>
</tr>
<tr>
<td><em>Lim Joo-Jock</em></td>
<td></td>
</tr>
</tbody>
</table>

**BIBLIOGRAPHY**

| 237 |
INTRODUCTION

The overall objective of this study is to attempt to review the problem in Singapore of foreign investment and to generally focus on issues arising from foreign investment in rapidly developing countries. More specifically, one major aim is to analyse government policies towards foreign investment over the past decade or so, and to assess the extent of success of these policies and likely trends. In this context it also seeks to identify, and where possible discuss, the broader social, political and economic impact of the inflow of foreign investment. Previous studies of investment and industrialization in Singapore have tended to examine the topic outside the frame of political and social situations and ramifications.

The study is divided into five parts which are interlinked to make a whole, reflecting a multidisciplinary approach to the topic.

The first part on foreign investment and industrialization in Singapore assesses the available literature on the subject and analyses the content of ministerial speeches and official statements on this topic in the context of the evaluation of governmental attitudes to foreign investment. It also examines the success of government planning and Singapore's adaptive responses to new situations. It points not only to the factors leading to successful programmes of investment for industrialization in countries without a previous manufacturing base but in addition draws due attention to the fact that such questions could be profitably viewed against the internal political and social conditions and in the light of changing international situations.

This macro-scale study which sets the tone and stage for the monograph as a whole is followed by the second part which consists of two short subsections, one based on the questionnaire approach and the other utilizing both published sources as well as data gathered from a limited selection of personal interviews. The first subsection, based on a postal questionnaire probe, supplemented by a limited number of face-to-face interviews, aims to present the viewpoint of a sample of foreign investors on the essential features of the investment climate in Singapore which influenced these investors in
their final choice of Singapore as a manufacturing base. An attempt was also made to elicit the main discernible problems confronting them in their present activity. In this sense, this brief study nevertheless usefully provides, within the constraints of a postal questionnaire survey, up-to-date material to back up, and highlight, some of the data presented in the first part. The second subsection in this part examines the problem of foreign investment from the viewpoint of the local Singaporean industrialist and organized labour. It is in this way complementary to the earlier portion of the part. Both these subsections of Part II, taken as a whole, delineate mutual attitudes, namely, the main outlines of the foreign investors' view of Singapore and the opinions of some selected individuals in key groups of Singaporeans to foreign investors and investment.

Part III deals with the petroleum sector of the Singapore economy. It is essentially a case study of the place of an important foreign-exchange-earning and capital-intensive industry in the context of the country's general investment and economic growth. The data is viewed in the context of the overall objectives of the group study. It brings together a collection of statistics and facts about Singapore's petroleum-refining industry, traces the growth of the industry and discusses the role of government policy and other factors affecting the growth of this key industry.

Part IV, which follows, is a micro-study, based largely on fieldwork. It examines the transnational petroleum companies and their retailers operating in the Singapore domestic market. It is essentially a study of the image which the retailers hold of the oil companies, and their reaction to the oil companies' policies as well as their assessment of the motives of the oil companies. A kind of potential conflict situation is indicated, in which anthropological as well as economic factors are involved. This situation is underlined by differences in cultural values and in the widely differing appreciations of how businesses should be conducted. This kind of abrasiveness can be viewed as a part of an unavoidable friction encountered in the overall management of rapid economic growth in which diverse groups participate.

The conclusion, Part V, reinforces the main thrust of the arguments presented in the earlier chapters and then discusses some of the wider political and social
ramifications brought about by large-scale foreign investment in Singapore. It is in this manner basically a reflective piece which cogitates over problems such as the possibility of incipient economic nationalism, local attitudes to, and the influence of, transnational commercial institutions in particular and foreign investors in general. In addition, it looks into the general social and political implications of the varied and ubiquitous foreign economic and social presence in Singapore. It will seek to discuss likely governmental and corporational attitudes to the resolution of possible future conflicts, involving foreign investors and local groups. Attention is drawn also to the broader international issues involved.

Lim Joo-Jock
Co-ordinator