

## IPS Corporate Associates Breakfast: Helping Singapore Firms to Go Global

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Seah Moon Ming, Chairman of International Enterprise (IE) Singapore, spoke to IPS Corporate Associates last month on the agency's efforts to help Singapore companies expand internationally. Around 40 people attended the event, which was chaired by IPS Adjunct Senior Research Fellow Manu Bhaskaran.



### Looking beyond our borders

Mr Seah emphasised the need for Singapore businesses to aim for a larger presence abroad. Trade continues to be vital to the Singapore economy (valued at S\$306 billion in 2014), and physical trade has been a strong contributor to growth. But more work is needed to boost trade in services. Internationalisation efforts will help to strengthen businesses, ensuring that they are scalable across markets, thus diversifying risks and gaining access to global resources and know-how.

However, internationalisation comes with challenges — an open economy exposes Singapore to external volatility from global markets and events. A case in point is how the slowdown in China and plunge in international oil prices have affected

Singapore's banking industry and the oil and gas sector, said Mr Seah, who is also the chief executive officer of Pavilion Energy, a Liquefied Natural Gas (LNG) investment firm.

But there are some bright spots on the horizon. China remains an important investor and consumer in Asia. Its "One Belt, One Road" initiative, which aims to increase connectivity among 4.4 billion people across more than 60 countries in Eurasia, will likely spur infrastructure developments and boost financial and trade ties. Singapore companies should try and cooperate with both state-owned and private Chinese enterprises to capitalise on this growth area, such as in infrastructure development projects. Notably, IE Singapore has already signed a Memorandum of Understanding with the three major banks — China Construction Bank, ICBC and Bank of China. Mr Seah added. This is a formal agreement to further partnerships related to the "One Belt, One Road" initiative.

Apart from China, India and Southeast Asia are also key markets that Singapore can tap. India is expected to grow at more than 7% annually till 2020 and ASEAN around 5%. The rising middle class in these countries is expected to drive consumerism and the demand for infrastructure investment to support urbanisation and industrialisation. Singapore companies can target opportunities in these markets, e.g., utility, transport, infrastructure, industrial parks, etc.

### **Role of IE Singapore**

How has IE Singapore been helping Singapore firms? Mr Seah used a colloquial Hokkien term to describe the role IE should play — it should *chiong* (move forward) to help companies expand overseas. He outlined the various financial and non-financial assistance measures provided to companies at different stages of internationalisation.

The Market Readiness Assistance Programme (MRA) assists companies taking their first step overseas; one instance would be in-market workshops to prepare them to enter foreign markets. There is also the Global Company Partnership Programme that helps companies looking to deepen their overseas presence with capability building, market access, manpower development and access to financing.

IE Singapore also works with trade associations and chambers (TACs) to reach out to more SMEs and help them gain traction in overseas markets and to conduct research on relevant industry trends. This is aimed at fostering collaboration among enterprises to establish stronger industry infrastructure and capabilities for overseas growth. To help companies ride the e-commerce wave, IE Singapore has formed partnerships with US-based Amazon, China-based Tmall and Malaysia-based Lelong, facilitating tie-ups between these e-marketplaces and SMEs. This gives Singapore companies easier access to global and regional online platforms to list their products and strengthen their overseas trade.

IE Singapore is also involved in projects with local governments — such as the Chongqing Connectivity Initiative in China and the building of Amaravati, a smart city in India's Andhra Pradesh state. Businesses are encouraged to leverage these commercial opportunities to pursue deeper business engagements with China and India. These include projects in aviation, logistics and transport, ICT and financial services.

The agency has also devoted time to cultivating government and private sector contacts in the different markets to help Singapore companies access the right partners. For instance, it has established business councils in various areas in China. Led by Singapore government ministers and relevant local Chinese officials, this creates a platform for companies to interact with the local governments and enterprises to discuss business collaboration. In addition, IE has strategised ways to help SMEs bid for overseas projects with a stronger value proposition and for start-ups to enter new markets. It has also encouraged large companies to bring in smaller Singapore firms as their partners in overseas projects.



### Question and Answer session

The audience questioned if government-linked companies received the lion's share of IE's funding. If that were the case, was it not counterproductive to its drive to assist smaller companies that were more in need of help? Mr Seah replied that IE Singapore is responsible for allocating limited resources prudently in order to promote overall international trade and companies' overseas growth. For larger companies, they are unlikely to require monetary assistance, but may need assistance of a different kind, such as in the form of networks, which they do not have access to. "We need many global champions because they will become major

engines of growth for Singapore's economy," he said. In order to cater to a wide range of players, IE offers broad-based assistance as well as targeted help for companies to become global champions.

The audience was interested in the key factors that made Singaporean companies competitive and that allowed them to compete internationally. Mr Seah pointed out that ST Engineering had excelled in the defence sector, having sold its Warthogs (tracked armoured carriers) to the United Kingdom. He said that ST Engineering's success was due to it choosing the right partners who were strong in technology and innovation. This demonstrated the importance of business architecture, he said, where companies find complementary partners and are able to bring systems together. For instance, Singapore won a contract in Mexico to implement wireless television broadcasting, where the technology and component parts come from different countries. He reiterated: "Do not think of just one target location; the world is a global market."

Another question centred on the importance of Africa, as compared with India and China, as an important trade corridor. Mr Seah replied that emerging economies present good business opportunities although some bear high risks. Resources are still comparatively cheaper in emerging markets; hence Singapore's Pavilion Energy has invested US\$1.288 billion in a gas field in Tanzania as a strategic move. Also, shipping from East Africa to Singapore is a straight path thus lowering costs. Therefore, IE Singapore recognises Africa as an increasingly important partner and has situated three offices on the continent.

The discussion also touched on bringing Multinational Companies (MNCs) into Singapore to work with SMEs. Mr Seah replied that it was important to bring international companies to Singapore. For instance, IE Singapore is hosting a gas roundtable because it recognises that natural gas may be the next area of growth to focus on. It has been received well regionally, with many participants coming from Indonesia. Though Singapore companies may not necessarily be equipped with the capabilities yet, IE Singapore still facilitates conferences and knowledge transfer to prepare SMEs for future overseas expansion. In the past, MNCs brought thousands of jobs to Singapore because of the large manufacturing bases that they set up here. But this is not the case today due to the high costs of production. "Why then, do we want to attract them to Singapore?" he asked. This is because these MNCs generate business spend on other ancillary sectors and create quality jobs.

A member of the audience observed that the World Trade Organization's global growth forecast was a meagre 1.7%, painting a gloomy outlook. It is also the first year where commerce would be slower than growth. In light of the increasing anti-globalisation sentiment, how will trade continue to make a positive contribution to Singapore's economy? Mr Seah replied that Singapore needs trade, and in terms of commodities trade, has to venture into new commodities, such as LNG or natural

gas, as trade in old commodities like iron ore, gold and crude oil slow down. In particular, in 10 years to come, the global energy mix may be split equally among coal, oil and LNG.

Concluding, Mr Seah said that the way forward lies in integration, innovation, technology and entrepreneurship, where “internationalisation is no longer a luxury — it's a necessity.”

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