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People's Republic of China

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People's Republic of China

Mr Wei Benhua, Deputy Administrator, State Administration of Foreign Exchange
People's Republic of China

Distinguished Guests,

Ladies and Gentlemen

Good morning.

It is my pleasure to welcome you to our forum, which aims to discuss how Singapore and Chinese enterprises can work together to achieve global success.

Globalisation and the Rise of China

Following its accession to the WTO, China has witnessed phenomenal growth. In 2004, its total trade recorded a 35.7% increase to a new high of US\$1.15 trillion, surpassing the US\$1 trillion mark for the first time. As a result, China overtook Japan to become the world's third largest trading nation, behind the US and Germany. In the same year, foreign direct investments, or FDI for short, into China reached US\$60.6 billion, up 13% compared to 2003. Having overtaken the US since 2003, China is today the world's largest FDI recipient.

Emerging Chinese Multinationals

With China's economic resurgence and rapid integration into the global economy, Chinese enterprises have begun to expand rapidly overseas. While the majority of those that have ventured abroad are large state-owned enterprises (SOEs), the privately-owned enterprises (POEs) are increasingly following the footsteps of their SOE counterparts to internationalise. Compare for example, the number of Chinese enterprises listed on the Fortune Global 500 ranking. Measured in terms of revenue, only 3 Chinese enterprises made it to the list in 1994. By 2004, this number had climbed to 15.

China's economy is also transforming from being a "factory of the world" to a "laboratory of the world". Chinese enterprises, who had previously concentrated on labour intensive, simple processing and assembly operations, are now moving up the value chain and paying more attention to research and development, with the aim of developing their own indigenous technologies and products. Some have also begun looking into acquiring their competitors instead of growing organically. Examples of well-known and successful Chinese companies include Haier, Huawei, TCL and Lenovo.

Singapore and China can Pursue Global Wins Together

The bilateral economic relationship between Singapore and China continues to grow from strength to strength. In 2004, Singapore's bilateral trade with China amounted to S\$53.3 billion, an increase of 44.5% compared to 2003. Imports from China reached S\$27.4 billion, representing an increase of 41.9% while exports to China amounted to S\$26.0 billion, increasing by 47.2%. In terms of its proportion of Singapore's total trade, China's share grew from 7.8% in 2003 to 9.2% in 2004. This makes China our fourth largest trading partner, after Malaysia, the EU and the US.

On the investment front, Singapore continues to be among China's leading foreign investors. In 2004, Singapore's contractual investments in China amounted to US\$4.4 billion, an increase of 29.4% compared to 2003. 1,279 Singapore projects were invested in China, an increase of 11.8% compared to 2003. As a result, Singapore was China's 8th largest foreign investor in 2004.

The warm ties that Singapore enjoys with China provide an excellent backdrop for our countries to work even closer together on the economic front. For one, Singapore is an ideal partner for Chinese enterprises seeking expansion overseas. By using Singapore as a springboard to the region and beyond, Chinese companies can reap many tangible benefits. They can leverage on our world-class seaport and airport facilities, excellent IT and telecommunications infrastructure as well as the networks of Singapore and international businessmen to venture into regional and international markets. Chinese enterprises would not only assimilate well into our social and cultural environment, but also appreciate the pro-business climate that Singapore offers. In addition, Chinese enterprises that anchor in Singapore can enjoy greater access to other markets by leveraging on Singapore's network of Free Trade Agreements with ASEAN, Australia, the European Free Trade Association, Jordan, Japan, New Zealand and the US.

Today, Singapore has attracted a diversified mix of Chinese companies to set up presence here. The number of Chinese enterprises incorporated here has grown from 509 in 1999 to 2,136 as at end Apr 2005. These companies are from wide-ranging industries such as trading, consultancy, construction-related and transportation. The China Ocean Shipping Group or COSCO Group for short, is a good example of a Chinese conglomerate that has established a strong presence in Singapore to leverage on our status as a transport and logistics hub. Its subsidiary, COSCO Corporation (Singapore) Ltd, has been listed on the Singapore Exchange since 1993. COSCO has business operations covering shipping, ship repair, marine engineering, and shipping agencies in Singapore. Serving as a regional headquarter, COSCO Corporation (Singapore) aims to expand the Group's shipping network into Southeast Asia and beyond. I am also pleased to note that COSCO has collaborated with our Singapore company, SembCorp Marine, to expand COSCO Shipyard Group's operations in China. This is an exemplary example of a win-win partnership between Singapore and Chinese companies. While COSCO is able to leverage on its Singaporean partner's expertise in offshore marine, SembCorp Marine can also take the opportunity to establish a hub and grow its ship repair and marine business in China. I am also heartened to know that both COSCO and SembCorp Marine have plans to jointly seek investment opportunities in strategic locations outside China. We welcome, and look forward to more Chinese enterprises using Singapore as a base to expand regionally and internationally. Our guests from China will get a first hand account from Mr Ji Haisheng, who will be sharing the COSCO experience with us later.

Increased Opportunities in New Partnerships

The speakers at today's Forum will deliberate on two interesting topics namely: the listing of

Chinese enterprises in Singapore as well as opportunities in China's construction industry for Singapore-based companies.

Singapore remains a very attractive destination for foreign listings. We are a key international financial centre offering a good platform for Chinese companies to raise capital necessary for international expansion and attain international recognition. Many of these companies, such as Sinomem, are not only listed on the Singapore Exchange but have also established regional presence to leverage on Singapore's position as a global commercial, marketing and distribution hub.

Chinese companies that are listed here could also partner Singapore companies and tap on each other's resources to expand their market share. An example of this can be seen in the synergistic collaboration between Tee Yih Jia Food Manufacturing and SGX-listed Youcan Food Group. Youcan is able to tap on Tee Yih Jia's marketing expertise and distribution network to expand internationally, while Tee Yih Jia leverages on its Chinese partner's manufacturing and distribution base to expand into China. By engaging the many international fund managers based in Singapore, the Chinese companies have adopted international standards in their business practices. As of end Apr 2005, 74 Chinese companies have been listed on the SGX. I would like to encourage more Chinese companies to do likewise.

On Singapore's participation in China's construction industry, I am similarly pleased to note the success of our Singapore-based companies in China. These include Temasek-linked companies such as CapitaLand and Keppel Land, and private enterprises such as Yanlord Investment, Far East Organisation, GuocoLand and Tian Lee International. Our companies have also participated significantly in the consultancy and master planning of several townships in China. The most recent example is the joint project by HDB Corporation, Keppel Land and Tian Lee International to develop "The Botanica", a 42 hectare residential township development in Chengdu, the capital city of Sichuan Province. The entire township of about 8,000 residential units and commercial buildings is complete with amenities such as schools, clubhouse, recreational facilities, parks, market and car parks. This project allowed Singapore to share its experience in public housing and township management with Sichuan. I hope that more of such projects can be established in China in the near future.

Conclusion

I am very sure our speakers today would have more to share on these topics and more specifically on how Singapore and Chinese companies can partner each other in the globalisation process. I look forward to hearing their views and would like to wish all of you a fruitful discussion today.

Thank you.