

The manufacturing sector led growth in the recovery period, mainly in response to international demand for computers and associated goods. In 1991, manufacturing, financial and business services, commerce, and transport and communications accounted for almost 90 percent of the GDP, with manufacturing and financial services together accounting for 56 percent of GDP.

Foreign capital has continued to be a key factor in the development of Singapore as a major international financial, commercial and trade centre. Since 1981, the Japan Bond Research Institute has assigned a "no risk" status to Singapore as a location for foreign investment. The Singaporean government's policies have helped maintain investor confidence in the country's economic prospects and have resulted in large capital inflows from foreign investors. Japan and the U.S. are by far the largest contributors to foreign investment in Singapore, accounting for approximately 66 percent of total foreign investment and 49 percent of total investment. In 1990, total investment amounted to U.S. \$1.4 billion, a 27 percent increase over the previous year and in 1991, grew to U.S.\$1.8 billion. The government is also actively encouraging foreign investment abroad as a means of acquiring foreign technology, expanding export markets and, in the process, creating a pool of Singapore-owned and controlled multinational corporations.

Singapore is also actively encouraging the diversification of the services sector in an effort to make the economy less dependent on the performance of its major trading partners. Rapid growth since 1987, however, has placed considerable pressure on labour markets, a situation which has constrained the expansion of the economy and posed a risk to Singapore's international competitiveness. The economy is expected to slow down further in 1992 with GDP growth estimated in the 4 percent to 7 percent range.

The rapid pace of industrialization in neighbouring countries has also added pressure to the competitiveness of Singapore and has heightened the need for Singapore to promote new high value-added manufacturing ventures. Export competitiveness, through the upgrading of productivity will therefore remain a key concern of the government and will continue to guide its policies in the area of employment, industrial development and financial and fiscal management. Recent efforts to corporatize a number of government-controlled enterprises are in line with these policies.