

There is also a significant emphasis on high value-added services such as finance, banking, transportation, and telecommunications.

II. Investment Behavior

Players

Singaporeans have just started to engage in significant foreign direct investments abroad. The Economic Development Board has formed a strategic business unit to promote overseas investment. In August 1988, the Board launched its International Direct Investment program. Its purpose is to encourage local companies to expand abroad through direct investments and eventually to develop into multinational corporations. The Board expects that such investments will create spin-off benefits in the form of acquiring technology and securing access to new markets.

To be eligible for its assistance, a company must be 50% Singaporean and must take active part in management of an overseas company. Incentives offered include grants for feasibility studies, technical training, tax breaks for capital losses incurred overseas, and tax exemptions on repatriated profits.

The International Direct Investment Program complements a \$120 million venture capital fund established in 1985. The fund is used for co-investing with local business people in new technology-intensive companies in Singapore and overseas; for investing in professional venture capital funds to gain windows on foreign technology; and for stimulating the emergence of a venture capital industry in Singapore.

Motives

In the past, most foreign direct investment from Singapore was in response to labour shortages and high labour costs at home. Most of that investment was directed to Singapore's neighbours in Southeast Asia.

Today, foreign investment is increasingly seen as a way to access or acquire technology, to expand and diversify markets and to create Singaporean multinationals. Investments abroad, however, should have some link to Singapore and its needs.

Singaporean Investment in Canada

Although the volume of trade between Singapore and Canada is small, it has doubled since 1985. Singaporean investment in Canada is also small, but it too is growing. In 1986, the total stock of Singaporean foreign direct investment in Canada reached \$52 million, up from nothing in 1979. Most of that investment was in merchandising and financial services.

Promising opportunities are opening up for future cooperation. Singapore has established bilateral agreements with Canada on investment, double taxation, and export financing. Five major Canadian banks have located offices in Singapore. Representatives of Singapore's Economic Development Board have visited Canada to assess potential business linkages and establish a dialogue with Canadian officials.