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Analysis of Singapore’s International Trade and Investment Activities in Vietnam

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Abstract: This article provides the information about the import and export activity and international investiment of Singapore in Vietnam. The analysisof the import and export activity of Singapore is based on criteriaof total value of import and export, export-import turn-over, imported andexported products or market structure to conclude that Singapore is always the largest trading partner of Viet Nam. Next, during the recent years,the volume of foreign investment of Singapore has incessantly increased in Vietnam. Investment projects of Singapore are highly efficient, significantly contributingto the employment and economic growth in Vietnam. In short, through the synthesis and analysis of combined statistical data and qualitative information concerning comments and evaluations in recent periods, the article is providingopinions and guidelinesregarding state import and export policy and policy for attracting foreign investment of Singapore in Viet Nam.
Keywords: import and export, international investiment, foreign trade, Vietnam, Singapore.

1. Introduction

Nowadays, when the process of international division of labor is taking place very deeply, international trade becomes an objective and indispensable rule and is considered as a condition and a premise for the economic development of all nations. In fact, no single country in the world independently can develop effectively without any relationship with other countries in the world (Vo Thanh Thu, 2010).The road of nearly 30 years of renovation and international integration of Vietnam from 1986 to now is a challenging and difficult journey. The successes are historically significant, creating the premise and motivation for Vietnam to enter a period of deep international integration and develop more strongly and comprehensively. International economic integration is a consistent policy and a key content of Vietnamese Communist Party's foreign policy and international economic cooperation in the process of national renewal (Tran Tuan Anh, 2016).Vietnam has diplomatic relations with more than 170 large and small countries in the region as well as outside the region, especially strengthening relations with neighboring countries in the ASEAN including Singapore. The relationship between the two countries has developed strongly on the journey of 45 years since establishing diplomatic relations on August 1, 1973 (Cao Thi Thanh Huong, 2018).

In fact, Singapore has a very early relationship with Vietnam. From the early 90s, the relationship between the two countries has progressed significantly along with the general development of the region and the world. Since then, Singapore has become one of Vietnam's largest trading partners in import and export as well as investment activities. Looking ahead, Singapore has no doubt that Singaporean companies will continue to adapt and invest in new areas in line with Vietnam's development needs such as clean technology and smart cities (Catherine Wong, 2018). Vietnam can find in Singapore the products of advanced technology such as machinery, equipment, electronics, automotive parts, motorbikes, petrol and can export to Singapore those items. Its strengths are agricultural products, seafood. Besides, Singapore's investment activities in Vietnam are also constantly developing. Currently, Singapore is the third largest foreign investor in Vietnam. Vietnam and Singapore are suitable partners, with potentials and strengths complementing each other in the 4th Industrial Revolution. High technology, clean energy, smart city, creative industry and business start-up are new areas that the two countries can cooperate and Vietnam is forecasted to attract big investment capital from Singapore in the coming time (Nguyen Chi Dung, 2018).

To provide readers with an overview of the situation of import and export as well as investment activities of Singapore in Vietnam today, our research group chose to study the topic: "Analysis of Singaporean trading and investment activitiesin Vietnam". At the same time, we help the readers visualize the problems that Vietnam is facing in international relations with Singapore and propose recommendations and solutions for Vietnam to improve and develop these relations further.

2. Theoretical Framework

International business involves business transactions between two or more countries, for example, business transactions including the purchase of raw materials from one country, transportation to other countries for production or processing, then, transporting the product to another country to sell, or develop an overseas investment plan to reduce labor costs, or borrow money from the local bank to improve financial ability. Countries participating in the trading process include individuals, companies, corporations or between governments.Export is the activity of selling goods and services from one country to another. Export is a low-risk and low-cost business activity in foreign markets. The scope and extent of the penetration as well as the main activities of the company need to be adapted to the foreign market depending on the form of export that the company chooses. (Huynh ThiThuyGiang, 2017).Exports are activities that domestic enterprises produce and sell abroad. Manufacturing enterprises will not be involved in the process of selling products abroad and do not invest more when the product has been exported (Nguyen Hoang Tien, 2017).There are two forms of export: indirect and direct. In indirect export, most international activities are carried out by third parties (export intermediaries) and the company does not know how products are sold and consumed in foreign markets. In direct export, company will carry out marketing functions and sell directly to foreign partners. This form requires the company has international trading experience and strong resources.

In short, import and export are international businessactivites. For an efficiency purpose, we need a system of organized, complex internal and external trading relationships that aim to profit, promote the development of commodity and production, to transform economic structure, to stably and gradually improve people's living standards. Import and export activities are organized with many operations, from foreign market surveys, selection of import and export goods, selecting partners, conducting negotiation and signing transactions, co-organize the implementation of the contract until the goods are delivered to the port to transfered to the buyer and complete the payment. Each stage, each of these operations must be fully investigated, carefully placed them in mutual relationships, taking advantage to ensure the highest efficiency, timely service for production and domestic consumption.

The second characteristic form of international business is international investment.International investment is a business process in which investment capital is moved from one country to another for the purpose of profitability. Benefits of investment activities are often economic benefits, but also political, cultural, social, ecological and environmental benefits. International investment is divided into two types: Foreign Direct Investment (FDI) and investment by foreign portfolio (Foreign Porfolio Investment-FPI). Foreign direct investment (FDI) is an investment aimed at actively controlling ownership, wealth, assets, or corporate headquarters in the country invested. Foreign portfolio investment (FPI) is the purchase of assets related to foreign financial activities (such as stocks, bonds, current certificates) for purposes other than participation in the governance and regulation (Ha Nam KhanhGiao, 2012).International investment is a form of international movement of capitalfrom one country to another to carry out one or several investment projects to benefit the participating parties. Special investment form which is Official Development Assistance, also known as foreign aid, includes concessional loans and grants from governments of developed countries usually to the developing countries. Foreign direct investment (Foreign Direct Investment - FDI) is a private investment in which investors directly participate and manage investment activities. Investment in foreign portfolio (Foreign Porfolio Investment - FPI) is a form of investment that foreign investors contribute capital by buying bonds and shares of enterprises of the host country without directly organizing or managing activites. Investment in the form of commercial loans, the long-term commercial banks' money for the Government or companies of developing countries to borrow based on long-term commercial interest rates for investment purposes. The second is loans from financial institutions and lending companies in the form of financial leasing and commercial credit. (Do DucBinh, 2007).International investment is the transfer of assets such as capital, technology, management skills from one country to another for business purposes with high profitability on a global scale. International investment and other international economic relations have fostered each other in the process of reproduction on a global scale. International investment cannot be separated from circulation (international trade) and necessary support services. However, international investment has outstanding advantages compared to other international relations (PhungXuanNha, 2001).

Based on the concepts of different authors, international investment is an economic process in which foreign investors (organizations or individuals) bring capital or any form of value into the country, the receiver of investment to carry out production, business and service activities in order to profit or achieve social efficiency. International investment cooperation between countries is a trend in terms of strengthening the internationalization of all business activities of enterprises.Indirect investment is an international form of investment in which capital and capital users are two different entities. International investment is made in the following forms:

- Non-refundable international aid: Governments, financial and socio-economic organizations of the countries through non-refundable aid programs to assist underdeveloped countries. For example, the poverty reduction program, clean water program, greening program of bare hills of Vietnam today, the world food program.
- Refunded international aid: Governments and financial institutions lend to developing countries for economic and social development with low interest rates.Private enterprises of developed countries lend through the sale of goods at prices higher than the prices of normal trade relations or pay to buy government bonds so thatdeveloping countries receive capital for investment and development purpose.
- Foreign Direct Investment (FDI): This is the form of investment in which businesses, foreign individuals (investors) are directly involved in the process of managing and using investment capital and operating investment results to recover capital. In practice, direct investment is carried out in the following forms:
  a) Business cooperation on the basis of business cooperation contracts.This is a type of investment in which the parties to the contract sign an agreement to conduct one or more production and business activities in the other country, on the basis of clearly defining the object and business contents, obligations, responsibilities and division of business results for the parties involved.
  b) Joint-venture enterprises: Due to foreign parties to the host country contributing capital, doing business together, benefiting from each other and sharing risks according to the proportion of Vietnam contributed.
  c) Enterprises with 100% foreign capital: are enterprises owned by foreign investors (foreign organizations or individuals) established by foreign investors in the host country, self-managing and self-bearing responsibility for production and business results.

For investing countries, the role of FDI is mainly expressed in positive impacts, particularly in some aspects as follows:

- When the domestic market is saturated with a certain product, the offshore investment still brings a high profit on that type of product due to the demand for that kind of product in developing countries is still great.

- At a time when a type of technology may be obsolete in their country, in those developing countries, it is new, modern technology, FDI helps countries to invest to continue to gain benefits from technologies that cannot be used domestically any more.

3. Research Methodology

This article mainly uses theoretical research methods such as methods of analyzing and synthesizing theory, classification methods and systematizing theory. Method of theoretical analysis is a method of analyzing theory in different aspects, historical andgepgraphicalrelationships; discover and exploit different aspects of the theory togain the necessary information for the research topic. The method of theoretical synthesis is a method related to information collection and discovering relationships from the collected theoriesyand put them into a whole body to create a new theory system fully and profound applicable on the topic of research. Method of theoretical classification is a method of arranging scientific documents into a strict logical system for each aspect, each unit of knowledge, each scientific problem has the same sign of nature, has the same direction of development for easy identification, for the ease of use for research purposes and help discover the development rules of the object, the development of scientific knowledge from which to predict the new development trends in science and practice. Method of systematizing theory is a method of arranging diverse information collected from different sources and documents into a system with a tight structure to build a complete new theory to help understand the object more fully and deeply. Based on the above two methods, we will search and collect secondary sources of information and data on the web, books and newspapers to get information on Singapore's international import and export activities in Vietnam. Next, we go deeply into into the synthesis and analysis phase to give comment and evaluation of the international import and export situation of this prosperous country. Then we will resystemize them to propose new policies and guidelines for Singapore's international import and export activities in Vietnam market.

4. Research Results and Discussion

The research results show that the bilateral trade in goods and services between Vietnam and Singapore has always reached a large proportion in the total import-export turnover of the country. Singapore is Vietnam's major trading partner in all over the world, second only to China, Japan, the United States, South Korea, Taiwan, etc. and is Vietnam's largest trading partner among ASEANmember states.

- **Export:**

In the first 9 months of 2017, two-way trade between Vietnam and Singapore has increased again, reaching USD 6.26 billion, up 17.8% compared to the same period in 2016, of which, Vietnam's exports to Singapore reached 2, 25 billion USD, up 30.9% over the same period; imports from Singapore reached over US $ 4 billion, up 11.5%.Export goods to Singapore are diverse and abundant; in which, the group of computers, electronic products and components ranked first in turnover, with over USD 386.72 million, accounting for 17.2% of the total export turnover of goods of all kinds to this market, gaining an increase of strong growth of 33.4% over the same period.Phones of all kinds and components are the second group in terms of turnover, reaching 267.76 million USD, up 27% over the same period in 2016, accounting for 11.9% of total export turnover to Singapore.Next is the group of glass and glass products, reaching 259.09 million, accounting for 11.5% of the total value, up 10% compared to the same year 2016.Export of goods to Singapore in the first 9 months of 2017 increased the turnover in most commodity groups compared to the same period in 2016; in which, crude oil group saw the strongest increase of 788.5% YoY, reaching 217.03 million USD. Besides, rubber export also increased strongly by 288.7%, although only reached 330,161 USD; petroleum exports increased by 67% to 72.19 million USD; iron and steel increased 94.6%, reaching 17.97 million USD. In contrast, exports of pepper and ceramic products plummeted at 2 digits; the corresponding decrease was 48% and 25% over the same period last year. (Thuy Chung, 2017). Although the number of exports is large, the value of returns is low due to limited product quality as well as undeveloped and established brands for consumers in the region and the world. On the contrary, Singaporean businesses have the strength in processing, packaging, value-added and especially the market relations are quite extensive because it is a hub for transshipment of goods to other places in the world with strengths in management, processing and marketing experience.

- **Import:**

The total import turnover this year decreased because the majority of imports declined. In which, the two largest import groups also dropped sharply in turnover over the same period: import of petrol and oil reduced, import of electronic computers and components also fell sharply. However, in the first quarter of this year, imports scrap of steel, ordinary metal, machinery and equipment and electric cables from Singapore market increased sharply in turnover over the same period.Preliminary statistics from the General Department of Customs shows that from the beginning of the year to the end of May 2018 Vietnam imported from Singapore market over 2 billion USD, down 12.23% compared to the same period last year. Particularly in May 2018, import turnover from this market reached 486.5 million USD, an increase of 38.9% compared to 4/2018 but down 3.54% compared to May 5/2017.Petrol is the main product of Vietnam imported from Singapore, accounting for 47.29% of the total turnover in May 2018, reaching 348.4 thousand tons, worth USD 230 million, the average import price is USD 660.3 / ton, increased by 65.48% in volume and 3.45% in value and increased by 65.48% in price compared with April, raising the amount of petroleum imported from Singapore in the first 5 months to 1.2 million tons, worth 785.8 million USD, down 40.53% in volume and 24.99% in value over the same period. The average import price is US $ 622.05 / ton, up 26.14%.Second in terms of turnover are computers, electronic products and components, but compared to the same period, the import speed of this item from Singapore decreased 25.35%, equivalent to 237.6 million USD. Next, machinery, equipment and other spare parts are imported with US $ 150.79 million, up 13.74%. In general, in the first 5 months of this year, imports from Singaporean market groups declined in turnover, accounting for 54.8%, of which imports of paper products fell sharply by 43.98%. In contrast, commodity groups with growth in value only accounted for 45.1%.In particular, the structure of imports from Singapore compared to the first 5 months of 2017 has changed, instead of increasing the import of iron and steel products, Vietnam now imports pharmaceuticals, ores and minerals from the Singapore market which surged dramatically, increasing 104.95% and 75.34%, respectively, reaching USD 3.1 million and USD 2.5 million.For iron and steel products, in the first 5 months of 2018, both quantity and value were reduced over the same period, down 32.58% and 30.5% only with 927 tons, equivalent to 1.2 million USD (Huong Nguyen, 2018).

- **Investment**

According to the Ministry of Planning and Investment, Singapore currently has 1,918 investment projects in force with a total registered capital of more than 41.38 billion USD, ranking the 3rd of 122 countries and territories investing in Vietnam, after Korean and Japan.Statistics from the Ministry of Planning and Investment also showed that Singapore's FDI inflows flowed into 18/21 economic sectors of Vietnam. In which, mainly focusing on processing and manufacturing industry - with 494 projects, total registered capital of 16.1 billion USD, accounting for 44.3% of total investment capital of Singapore enterprises in Vietnam.In the first 8 months of 2017, Singapore had 3.93 billion USD of registered investment capital in Vietnam, of which 2.84 billion USD of newly registered capital, 718 million USD of additional registered capital and 370 million USD of value capital contribution to buy shares (Thuy Chung, 2017).Investment capital from Singapore has always been highly appreciated by Vietnam with the scale of an average registered investment capital of a Singapore project of about 21.6 million USD per project, higher than the average level of a first project of foreign investment in Vietnam which is of12.9 million on average (Thuy Chung, 2017).

The Foreign Investment Department also said that, if before, Singapore's investment in Vietnam only concentrates in some big provinces and cities, with favorable socio-economic infrastructure conditions such as Ho Chi Minh City and Hanoi. , Hai Phong, Binh Duong, ... In recent years, investment areas of Singapore enterprises have gradually spread in many other provinces and cities such as Quang Ngai, Quang Tri, Nghe An, Thai Nguyen, Thanh Hoa and Binh. Dinh, ... (Bnews, 2018).Currently, Singaporean investors have invested in 46/63 provinces and cities of Vietnam. Accordingly, the locality attracted the most FDI from Singapore investors, especially Ho Chi Minh City, with 799 projects and registered capital of US $ 9.75 billion, accounting for 26.7% of the total registered capital in Vietnam. Hanoi ranked 2nd with 256 projects and 4.65 billion USD, accounting for 12.8% of the registered capital; Quang Nam ranked 3rd with 6 projects, with a total registered capital of more than 4 billion USD, accounting for 11.3% of the total registered investment capital in Vietnam. In addition, Bac Ninh, Dong Nai, Thai Nguyen, Ba Ria - Vung Tau are also provinces and cities that have attracted many FDI projects from Singapore recently (Investment Newspaper, 2016).By the end of May 2018, Singapore had 2,048 investment projects in Vietnam, with a total investment capital of US $ 43.53 billion. So far, Singapore enterprises have invested in 48/63 provinces and cities of Vietnam (Bnews, 2018).The largest scale project is Nam Dinh 2 Thermal Power BOT Plant invested by Vietnam Teakwang Group and Acwa Power of Saudi Arabia through legal entities in Singapore with a total investment of 2.07 billion. USD (Thuy Chung, 2017).Vietnam - Singapore Industrial Zones (VSIP) is a symbol for the effectiveness of Singapore's investment projects that have been operating for more than 11 years with 7 zones: VSIP 1 and VSIP 2 in Binh Duong, VSIP 3 in North. Ninh, VSIP 4 in Hai Phong, VSIP 5 in Quang Ngai; VSIP 6 in Hai Duong and VSIP 7 in Nghe An and building VSIP 8 in Quang Tri.Singapore's investment projects are evaluated effectively, implemented quickly, focusing on key areas of Vietnam's regional economic transformation.Up to now, VSIP Group has developed a total of 8 projects across the country with a total land fund of more than 8,400 ha. VSIP projects have attracted more than 720 investors from 30 countries and territories with a total domestic and foreign investment capital of about US $ 10 billion, total export value of US $ 32 billion and creating jobs for about 200,000 workers (Thuy Chung, 2017).In general, representatives of Singaporean businesses are pleased to cooperate with Vietnam and feel confident that Vietnam has a steady growth rate.Singapore with friendly and close culture in Vietnam, traveling between Singapore and Vietnam is very convenient. The main language is English and Chinese, so Singapore is now a foreign export labor market that is being interested by many Vietnamese workers.

5. Conclusion and Recommendation

So far, Vietnam - Singapore relations have continued to develop and made significant contributions to the process of industrialization and modernization of Vietnam. Economic and trade relations and especially investment have been increased rapidly, Singapore has always been at the top of ASEAN countries in terms of capital and investment projects of our country, unlike other ASEAN countries investing in Vietnam. Singapore is a country with a number of projects in the long-term investment, with large capital that is not immediately profitable and Singapore is also a country with a number of projects using high-level technology; But the similarities of Singapore and other ASEAN countries invest in Vietnam, most projects have small and medium capital and input areas that need many workers and utilize Vietnam's resources. Although there are certain limitations in Singapore's investment in Vietnam due to objective and subjective reasons, but the positive effects of Singapore's investment in Vietnam deserve recognition in the promotion economic growth, investment restructuring, creating more jobs for workers and an important significance of Vietnam's transition economy.

Based on the analysis of Singapore's import-export and investment situation in Vietnam, the article not only objectively evaluates the situation but also recommends urgent solutions to overcome and further promote such as shifting of import and export structure, credit finance policy and other support measures such as improving the investment environment, building infrastructure, paying attention to developing human resources to promote the available potential of the two side.

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