

# A natural fit with Belt and Road plans

Singapore as a major hub for the China-led initiative highlights its benefits to the region

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Anyone doubting Singapore's relevance to the China-led Belt and Road Initiative should consider this: Already, about one-third of all Belt and Road-related investments have been made in the Southeast Asian city-state.

Chan Chun Sing, a Singapore minister, speaking at the World Economic Forum in Davos, Switzerland, in January said: "They (Chinese officials) always remind us of this number: 3,385, which means 33 percent of all the outbound investment under the (Belt and Road) initiative comes through Singapore, and 85 percent of all the inbound investment to China comes from Singapore."

Chan said that Singapore is able to achieve this because it is a financial hub and is in a position to syndicate the loans together.

Nicholas Fang, executive director of the think tank Singapore Institute of International Affairs (SIIA), said: "If the Sino-Singapore relationship via collaboration and cooperation on the Belt and Road Initiative can remain smooth and beneficial for both sides, it can serve as a good example and reassurance to other Asian countries that it is possible to have close ties with China, even as China continues to rise in prominence and influence on the global stage."

According to Singapore's former foreign minister, George Yeo, who today is the chairman and executive director of Kerry Logistics Network, Singapore needs to position itself to serve all Belt and Road participants by being an open, neutral platform.

"Modern Singapore was founded by the British East India Company for the 19th century China trade. The history, cultural and administrative system of Singapore evolved to meet the needs of trade, logistics and finance for the Maritime Silk Road, linking Southeast Asia eastwards to China, and westwards to India, the Middle East and Europe. Singapore is ideally positioned for this 21st Century Maritime Silk Road linking the same regions and cultures," Yeo said.

"The challenge for Singapore is maintaining this dynamic equilibri-

um by constantly adjusting to changing political, economic, financial and technological conditions," he said.

"Like it or not, the (Belt and Road Initiative) will still proceed without any (one) country's participation. It is important that if we want to be involved, we find our niche," said Li Mingjiang, an associate professor at the S Rajaratnam School of International Studies (RSIS) in Singapore.

Li is optimistic that in the coming years, significant Chinese investment will take place in Singapore, and he believes the Belt and Road is a good opportunity for the city-state's economic development.

"Singapore's economy is dependent on international markets and overseas opportunities. It is therefore advantageous for it to have regional and international economic collaborations," he said.

Some of the areas it can make a difference in are finance, logistics, education and manpower. Its expertise in infrastructure design and management — such as ports and airports — also gives it a competitive edge. A third way is to partner with companies from other countries to work on Belt and Road-related projects.

Equally advantageous is its business and infrastructure hub status in the region. Already, many multinational companies, multilateral agencies and financial institutions use the country as a regional base for their operations in Southeast Asia.

Singapore's Belt and Road engagement already extends deep into the Chinese mainland. Two years ago, in November 2015, Singapore and China signed a deal to launch the Chongqing Connectivity Initiative (CCI).

This is the third government-to-government level project that has taken place between the two countries. The first involves the Suzhou Industrial Park and the second, the Tianjin Eco-city.

As its name suggests, the Chongqing Connectivity Initiative is devised to strengthen links between Singapore and China's western region. This will be done through the areas of transport, logistics, aviation, finance and info-communication technology.

"At the launch of the CCI in 2015, President Xi Jinping mentioned Chongqing as the operating center for western China," said Gordon Tan,



People walk along a promenade facing the financial district in Singapore on Oct 14, 2016. Many multinational financial institutions use the country as a regional base for their operations in Southeast Asia. AFP

general manager of Sino-Singapore Chongqing Connectivity Solutions, the joint venture company for the Chongqing Logistics Development Platform.

"Recently, in 2017, President Xi said that the CCI should catalyze participation from regional countries in the development of new cross-border land-sea trade routes," he said.

Already, numerous Singaporean companies have announced investments in the Chinese city, such as YCH Group through a logistics hub, CapitaLand through a shopping mall, and OCBC Bank through a memorandum of understanding to deepen cooperation in cross-border financing for small- and medium-sized enterprises.

Another significant related project under the CCI is the Southern Transport Corridor, which aims to link the south of China with Southeast Asia.

"This will have benefits for all parties, as the sea and rail connections will enable the southern and inner regions of China to have faster turnaround in terms of the transportation of goods," said SIIA's Fang.

"The improved connectivity will also help to bring more investment to these regions of China." Above all, the CCI is part of the grander plan to further integrate Singapore into the Belt and Road Initiative.

"The CCI strengthens connectivity between Singapore and China, and strongly supports the (Belt and Road). It would hence further strengthen Singapore's trade and investments with China," said Tan, when asked whether distance is a

factor between the two cities.

A report from investment bank UBS said that Chinese banks with operations in Singapore have already committed more than 500 billion yuan (\$9 billion) in financing to Singapore companies involved in Belt and Road projects.

"The Singapore brand is trusted, and Singapore companies also have good networks and business relationships in the Southeast Asian region. Having more partners will help to raise investor confidence in Belt and Road projects in the long run," Fang said.

He noted that Singapore holds the Association of Southeast Asian Nations' (ASEAN) rotating chairmanship for 2018. It is also the country coordinator of ASEAN-China dialogue relations, for three years until mid-2018.

"Good Sino-Singapore ties may help demonstrate to other countries that win-win cooperation on the Belt and Road Initiative is possible," Fang said.

Lee Boon Keng, associate professor of banking and finance at the Nanyang Business School in Singapore, said: "The major challenge for Singapore is how to stay relevant as the Belt and Road Initiative improves the infrastructure — both physical and financial — in neighboring countries.

"Disruptive technologies will significantly shorten the time that these countries will catch up with Singapore. Staying a few steps ahead is imperative for Singapore's relevance in the Belt and Road Initiative."

This can be done through improv-

ing its human capital, through drawing up a framework to integrate skills into higher learning, and creating the space for experimental and disruptive technologies.

"A framework would involve both the public and private sector, which is already in place in Singapore. However, the devil is in the detail," Lee said.

"How do you encourage risk taking on various levels, especially in education?" he said. "We should consider disrupting the existing educational framework with a process that encourages experimentation and the acceptance of failing."

As for the bilateral relations between Singapore and China, RSIS' Li said that it is clear that leaders in both countries want to improve and maintain good relations.

"It is important to work on issues of common interest and concerns such as regional economic integration and social and cultural exchanges."

Looking ahead, as Singapore's role in the Belt and Road Initiative evolves, Li thinks it will ultimately become the hub for ideas and frontier technologies that are value creating. "It simply does not have the scale to do value-adding activities."

Historically, Chinese regional initiatives have found favor with Singapore — for instance, it was one of the first countries to pledge support for the Asian Infrastructure Investment Bank, the multilateral development bank which is a key supporter of Belt and Road projects.

Fang remarked: "Singapore believes it has more to gain by being a part of new regional architecture."