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THE IMPLICATIONS OF FOREIGN INVESTMENT IN THE RETAIL SECTOR: THE EXAMPLE OF SINGAPORE

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INTRODUCTION

THE Uruguay Round of negotiations for the General Agreement on Tariffs and Trade (GATT) has raised a number of new issues affecting international trade. Of particular concern to the retail sector have been Trade Related Investment Measures (TRIMs) and the desire to include services within the round. Trade Related Investment Measures refer to various regulations and requirements imposed on foreign investors in host countries that impinge directly or indirectly on international trade flows, including bans on operating in selected sectors or the use of foreign labor, controls on the export of currency, and requirements to reexport finished goods [1] [12]. Such restrictions tend to deny foreign companies access to the host country's domestic market and to subsidize exports. Regarding trade in services, this has appeared on the GATT agenda primarily as a result of pressure from the United States of America which wishes to see GATT reflect the changes which have been taking place within its own economy. Identifying what is meant by a "service" has generated a substantial volume of literature [14] [35] [20] [2], but MuCulloch has argued that the United States is primarily concerned about the growth of information-based services, in which it hopes to have particular strengths [23]. However, the stance taken by the United States in the Structural Impediments Initiative (SII) talks with Japan made it clear that the retail sector is also an area where pressure will be exerted to remove barriers to investment.

Trade Related Investment Measures have had a substantial effect on the development of the retail sector in East and Southeast Asia over the past fifteen years. They are now set to become a major regional issue because of the growth of the Asian economies and the emergence of more retailers operating on an international scale. Japan is the best known example of the use of formal and informal measures to control foreign investment [4] [5], and the problems faced by American retailers such as Toys "R" Us [33] were cited throughout the SII talks. But other Asian countries have their own barriers to foreign investment which have excluded retailers in the past [24]. Several countries, including the Republic of Korea [44] and Indonesia [29], have used measures similar to those in Japan as part of their own drive to attain export-led economic growth. Others, such as Malaysia, have foreign investment laws based more on internal issues, particularly ethnicity, than on the exclusion of external companies [19].

The effect of these controls is too broad a subject to be discussed here and forms the basis of a larger research project [8]. However, the combination of the external pressures from the GATT and SII talks and of internal consumer-led pressures consequent on growing disposable income is having the effect that barriers to retail investment are either being dropped or circumvented on a regular basis. For example, Japanese retailers can now be found not just in Hong Kong and Singapore but also in the People's Republic of China, Taiwan, Korea, Thailand, the Philippines, Malaysia, Indonesia, and Macau.

The aim of this paper is to look at some of the likely implications for retailing in Asian countries should the efforts involved in the GATT and SII negotiations come to complete fruition. This will be achieved by studying the example of Singapore which has had a high rate of economic growth over the past decade, which has only a small number of large indigenous retail companies but which has chosen not to impose any form of TRIMs on foreign retail companies. Despite, or perhaps because of, its reputation as a "planned economy" [34], Singapore has had no direct investment controls for foreign companies because of its desire both to attract manufacturing companies and to create a suitable environment for high-spending tourists. It has been relatively easy therefore for retailers to enter the Singaporean market.

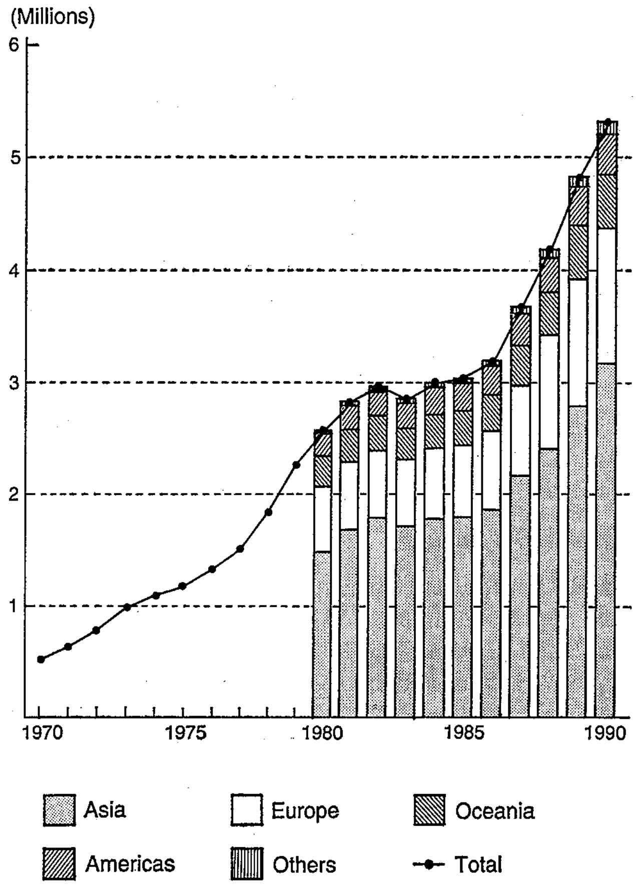
However, as will be shown below, the government has until very recently controlled the general locations available to retailers, restricting foreign companies by and large to the Central Area. This has been achieved through the powers accorded to government agencies involved in the redevelopment of existing urban areas and the development of new shopping centers. Relaxation of these less formal controls, coupled with a growing number of foreign retailers, is likely to have a major impact on the shape of Singaporean retailing and on the future prospects for local companies. What Singapore also shows is the variety of reasons retailers have for overseas investment and, hence, the difficulties of controlling that investment in a meaningful manner. From a study of Singapore it will then be possible to draw out some lessons for other Asian countries which are beginning to open their retail sector to foreign investment.

I. THE POLICY FRAMEWORK IN SINGAPORE

A. *Background*

It has already been noted that Singapore has no investment controls for foreign companies by contrast with Malaysia's New Economic Policy [58] or the policies excised in Thailand and Indonesia [36]. Indeed, Singapore is well known to economists as pursuing aggressive export-led industrial strategies, attracting international companies to the island to set up manufacturing and service operations [34]. As a result of the success of the government's policies in this area, Singapore's GDP per head in 1993 of US$19,092 ranked it third, only behind Japan and Hong Kong [9], in the Asian region. While the population has risen from just under one million in 1947 to over three million in 1991, GDP growth has kept pace, exceeding 5 per cent in all but one of the years between 1979 and 1992.

Fig. 1. Visitor Arrivals in Singapore, 1970–90



Source: [41].

To the general public in many countries however, Singapore is best known for its shopping opportunities. As the cost of air travel has dropped, Singapore has been promoted as a stopover for those travelling between Europe and Australia and as a shopping paradise for visitors from countries such as Japan and Taiwan. In the latter countries higher consumption taxes have added greatly to the cost of many goods, particularly imported goods. Visitor arrivals in Singapore jumped from around half a million in 1970 to over five million in 1991 and arrivals are forecast to reach seven million in 1995 [45].

The bulk of the visitors come from Asia, followed by Europeans (Figure 1) [41]. While cross-border shopping by Malaysians and Indonesians has been important, the Japanese have emerged as key players because of the sheer volume of their spending on high value items. As we shall see, this spending has been a major influence on the type of shopping offered in Singapore and a drop in tourist spending has also affected the health of shopping in the whole of Singapore's Central Area.

At first, the growth in shopping was related to the island's role as an entrepôt port. Vast quantities of manufactured goods flow through Singapore and this has encouraged the growth of general trading companies which mix wholesaling and retail interests. As in Japan and Hong Kong, these trading houses often act as local franchisees and agents for foreign brands and as a consequence the development of indigenous retail private brands is a relatively new phenomenon in Singapore. More recently, the island has become a battleground among the Japanese department store groups and the desire of both Asian retailers and chains from Western Europe and the United States to use Singapore as their entry point into Southeast Asia.

Despite its lack of investment controls, a key factor in the development of the retail sector has been the effect of government intervention in the development process. This has been achieved through government controls over the use of land and property and is reflected particularly in the work of the Housing and Development Board and the Urban Redevelopment Authority.

B. *The Housing and Development Board*

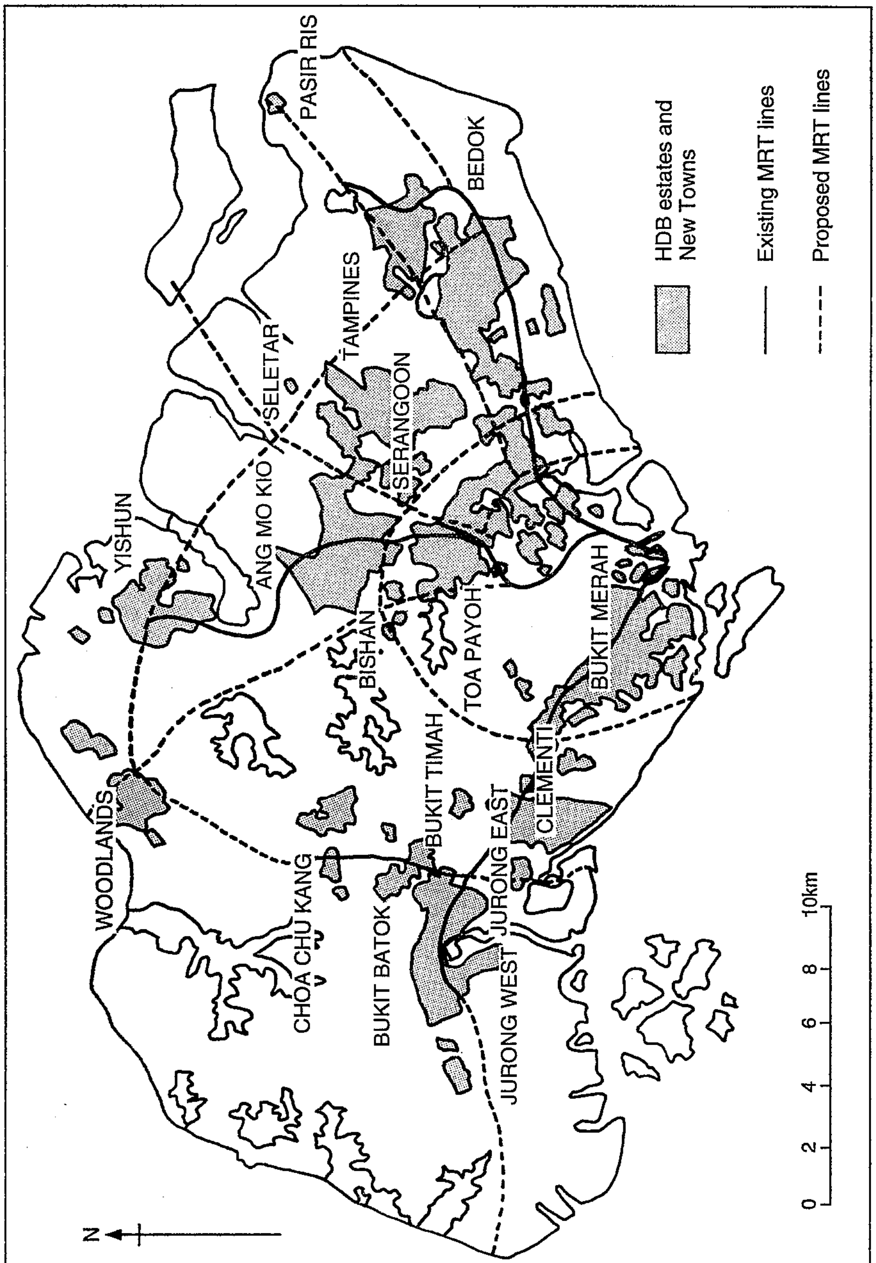
The Housing and Development Board (HDB) was formed in 1960 as one of the first acts of the new Government of Singapore following the transfer of power from the British colonial powers. The HDB was given a brief to provide low-cost housing for Singapore citizens and by 1990 over 85 per cent of the population were living in flats built by the HDB on green-field sites (Figure 2) [41]. The planning of the public housing estates followed the neighborhood principle established in the postwar British new towns [59]. Thus, most neighborhoods in the country's New Towns were built on the premise that for much of their day-to-day needs, residents would not have to leave their immediate environs.

The shops in the New Towns and on other HDB estates were leased from the HDB, with the highest bidder winning. But it was normal practice for a certain number of shops (usually 50 per cent) in a new estate to be allocated to those relocated through urban renewal eviction or other programmes. By 1970 about 42 per cent of all HDB shops had resettled owners, although the proportion was likely to be much lower on newer estates.

Self-sufficiency was the objective and so the New Towns offered mainly convenience goods [59] and their stock of shopping and speciality goods tended to be poorer in quality and limited in variety. As a result, in the early 1970s the trade areas of the majority of HDB shops did not extend far beyond the estate in which they were located and the Central Area became increasingly important for a wide range of nonfood purchases [60, p. 65].

> The commercial facilities as provided in public housing in Singapore have all along been planned, from the physical shop design, the number required, and to some degree, to the business types present. For orderly development, the neighbourhood concept has been found to be a practicable planning tool in the provision of shopping

Fig. 2. The HDB Estates and New Towns and the Expansion of the MRT Network



> needs. The 'ideal' ratio of the number of shops to flats, which allowed enough flexibility to suit local conditions and projected needs of the residents, has been a useful rule of thumb. A measure of this success is reflected in the unquestioned attractiveness of the neighbourhood shopping facilities to the residents...and the largely restricted trade area of many of the shops.... Inasmuch as the fundamental intent of shop provision is for fulfilling the needs of the residents in public housing, this objective seems to have been successfully met. [60, p. 69]

The HDB controlled the amount and mix of retail facilities through its powers over changes of use and of tenancy. As a consequence, retail development in the New Towns was shaped by government ownership of the premises, which allowed control over which firms could trade, and a form of land-use zoning which specified how many shops should be provided in any area, where they should be located and which product categories they should sell. Large stores, such as those operated by most foreign retailers, have been discouraged in general and most of the small number of stores which did go ahead in the late 1970s and early 1980s were not very successful. The primary reasons for this lack of success were the then relatively low level of disposable income and the low level of mobility of the island's population.

While this form of neighborhood shopping appears to have been adequate for the 1970s and the early 1980s, there has been growing disquiet about its effectiveness for the future. Studies have shown that residents are generally well satisfied with the provision of convenience shopping in the New Towns [52] but that such shopping represents an outlet for only 50 per cent of their disposable income [38] [13]. The rest of their available money tends to be spent on Orchard Road or in the larger shopping centers outside the Central Area (see Figure 2), with the shopping destination being chosen according to the specific nature of the desired purchase, rather than any loyalty to particular shops. A study of shopping habits published in 1988 ended with the warning that the opening of the new transportation network, the Mass Rapid Transit system (MRT), was likely to lower the cost barriers which might be keeping many consumers close to home and enhance their levels of mobility, helping to channel many more people into the town centers and the Central Area [56]. Figure 2 shows the location of the two lines which have been built to date.

Since the late 1980s academics and others have been pointing to the need to reform the small shop sector in the housing estates [38] [25]. Figures produced by the Economic Development Board show that HDB retailers suffer from low productivity; in 1991 large foreign retailers were getting S$49,000 value added per worker, large local retailers S$34,000, small foreign retailers S$33,000, and small local retailers S$13,000 [57]. For the HDB centers to flourish, it was argued, the number of shops and the trade-mix should change. In other words, the HDB was being asked to allow convenience stores, supermarkets, and other larger and newer retail forms to enter their estates and not to prevent existing retailers from going out of business [39]. We shall see that much of this has been granted but first we must turn to look at the work of the Urban Redevelopment Authority.

C. *The Urban Redevelopment Authority*

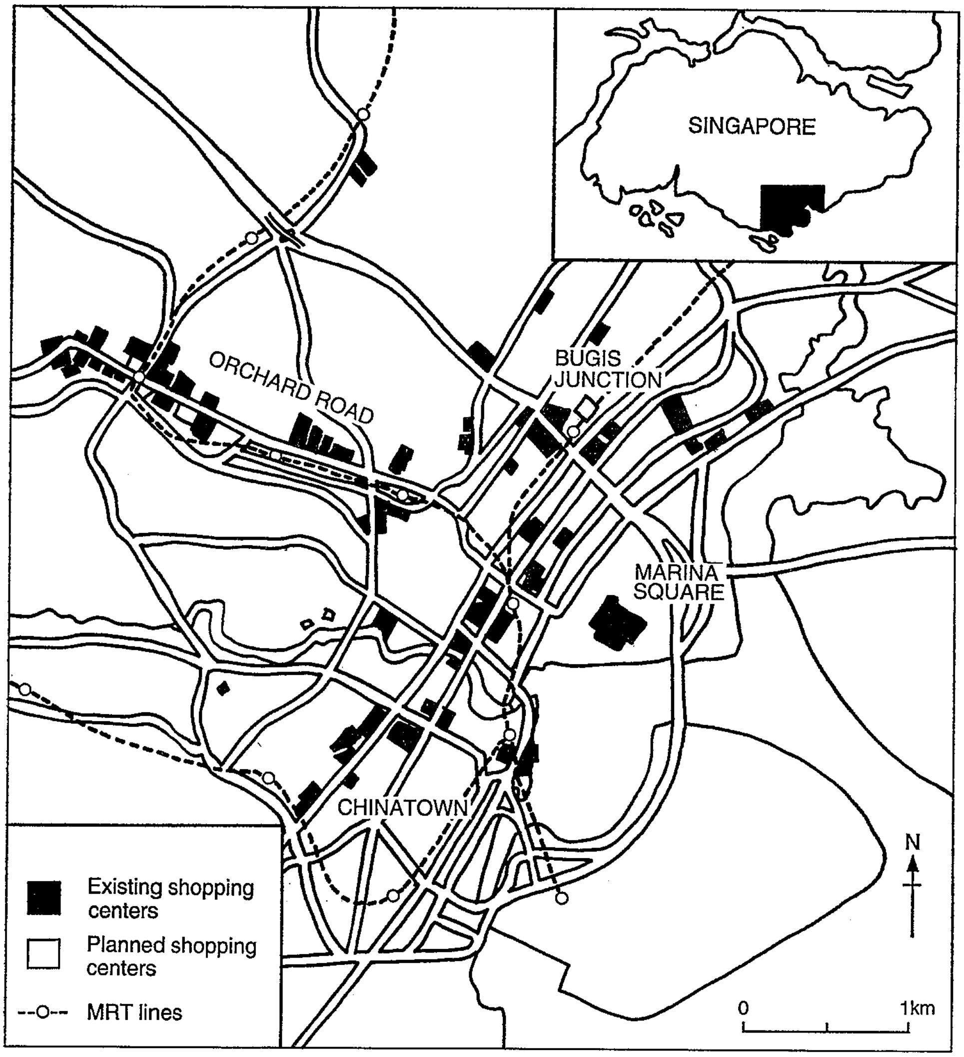
The counterpart to the HDB's work in the suburbs has been the Urban Redevelopment Authority (URA), which was established in 1966 to promote development in the Central Area. First, it became government policy to control the bazaar or "informal" sector, consisting largely of mobile hawker stalls. In 1975 it was estimated that there were 15,000 street vendors in the central area alone, causing serious traffic congestion [55]. New controls meant that the traditional night markets/bazaars went off the streets in April 1978, while mobile hawker stalls were relocated in planned hawker centers so that the street pitch had disappeared almost completely by 1988. Many of the traditional shop-houses have also disappeared and some of those which have been modernized, as in Chinatown, Tanjong Pagar, and Holland Village, are treated as tourist attractions. The last shop-houses on Orchard Road were closed for business during 1991 in order to make way for further redevelopment.

Second, the URA acquired fragmented plots of land, combining them into bigger plots, then offering them for sale to private developers. As a result of this policy, an estimated 8,500 shops were demolished between 1968 and 1983 and replaced with multi-level planned shopping centers [37]. The need to relocate existing hawkers and traders led to many of these new centers being crammed to the brim with small shops within a multi-level format; for example, the Far East Plaza on Scotts Road boasts of containing more than 800 shops. While the Central Area of Singapore has traditionally been multi-nodal, after 1977 Orchard Road and Chinatown became the principal foci. By 1983 there were no fewer than twenty shopping centers and a dozen hotels along a 2.5 km stretch of Orchard Road: Chinatown had four major shopping centers and catered to tourists and the shopping needs of more than just the local Chinese [37] (see Figure 3).

The aim of the new department stores and planned shopping centers has been to match the best standards for shopping found anywhere in the world. A major result of all of the activity undertaken has been the creation of an attractive retail environment, and during the 1980s many foreign companies were tempted to enter the Central Area. In addition to the availability of modern shopping centers, they were attracted by the growing affluence of the local shoppers and the numbers of foreign tourists. For example, most of the Japanese department stores were actually set up to cater for Japanese tourists, themselves attracted by the relatively low prices of high quality European and American brands and Singapore's reputation as a "safe" place to visit. As a result, the nature of the goods sold in the Central Area has shifted. Centers such as Lucky Plaza are still catering to those tourists who want to haggle hard for their goods but the new centers show a shift towards the fixed price system (and a relatively high fixed price at that).

The opening of the MRT in the late 1980s undoubtedly strengthened the position of Orchard Road as the preeminent shopping area, but its ability to attract customers has also allowed large new shopping centers to be built at other

Fig. 3. Retail Developments in the Central Area of Singapore



points, in keeping with Singapore's preexisting multi-nodal structure. For example, with Takashimaya at Ngee Ann City, Isetan at Shaw House and Lane Crawford, a further 100,000 square meters of floor space opened around the MRT station at the intersection of Orchard Road and Scotts Road in 1993–94 alone (Figure 3). Elsewhere, Sogo is the main anchor at Raffles City; K-Mart (which replaced by Tokyu), Habitat, and Mothercare are to be found in Marina Square; and Seiyu Saison is to anchor a new development at Bugis Junction. Only Marina Square has bucked the MRT trend, being a short walk from an MRT station but under two major hotels. However, this center was only able to open on time in late

1986 by allowing the tenants of 220 shops to defer full rental payments for up to nine months after the opening, and this has reinforced the importance of location to many retailers and developers [7]. The success of the MRT, however, works both ways; in the 1990s it is being used to counterbalance the pull of the Central Area by helping to carry people to suburban retail centers such as Northpoint in Yishun.

D. *The Current Policy Framework*

In recent years, the government has responded with new proposals to some of the perceived ills of the current level of available shopping and possible future imbalances. In 1991 it published both a new Strategic Economic Plan and a Concept Plan and then in 1992 the more specific Retail Sector Development Plan. The aims of these plans are to form the platform for the next step in Singapore's drive for developed nation status. We shall now consider each of these plans in turn.

1. *The Strategic Economic Plan*

The Strategic Economic Plan (SEP) [43] provides a major piece of the background to the Retail Sector Development Plan. Its principal thrusts are aimed at upgrading and expanding the manufacturing and financial services within the country. Faced with the problems of full employment (and a desire to limit the number of foreign workers allowed into the country) and a limited amount of land, the SEP argues that a continuation of the relatively high rates of economic growth will only come about if the ways in which the island's human and physical resources are managed are reorganized. The promotion of a "growth triangle" including Singapore, the Riau Islands (Indonesia), and Johor (Malaysia) aims to overcome the physical limitations of Singapore itself and attention will continue to be paid to educating the workforce and the technological and social climate to support further development. However, the SEP contains a comment which bears very closely upon the retail sector and its prospects.

> [The] domestic sector has unfortunately not benefitted significantly from the influx of foreign investments, which bring with it the latest technology and management methods. Upgrading of this sector has been substantially below that of the internationally-oriented sector where the pressure of a much more competitive environment forces companies to upgrade or suffer the consequences. [43, p. 6]

The SEP highlights the poor levels of profitability and efficiency in the small-shop sector, holding up the example of Econ Minimart [26], a form of voluntary chain, to show what can be achieved with relatively limited resources. The SEP supports the growth of larger stores which are more efficient and can offer a wider range of goods or better prices. The consequence of such a policy is that, as the SEP notes, "residents may have to travel longer distances to shop. . . . They may have to be inconvenienced when buying groceries and accessing personal services." [43, p. 78]. Such decisions are intensely political in Singaporean terms. The comments of Tan [50] echo those of many consumers when he criticizes the government for attempting to introduce an American or European concept into a country where the weather discourages shoppers from walking long distances to shop and where the government's own policies restrict car ownership. He continues,

> The best argument I can muster against sweeping HDB precincts clean of their ubiquitous local provision shops and food stalls is that Singapore is a greying nation. By 2030, one in four locals will be over 60. It will be heartrending to see hordes of frail old men and women struggling to bring back their daily necessities from a super-efficient hypermart some kilometres away from home—just because the shop in their HDB estate does not exist any more. [50, p. 12]

A further plea has also been made for greater recognition of the role played by small-scale retailers compared to the negative issues highlighted in the SEP. It is argued that the current system allows such retailers to adjust their locations, their prices, their opening hours, and their product mixes to meet demand within very small catchment areas. This degree of flexibility can be missing from larger-scale retailers and may account for the failure of companies such as John Little and Yaohan (Jurong), Metro (Bukit Timah), and Fitzpatrick's (Ang Mo Kio New Town) to survive and grow in the suburban areas [30].

However, the SEP is just one part of the government's current proposals to remake Singapore into a more pleasant and more efficient place to live and work. The URA's revised Concept Plan is also a crucial part of these proposals.

2. *The URA's Concept Plan*

During the 1960s the overall physical development of Singapore was guided by a Master Plan which was based on traditional British planning concepts. In 1971 this role was taken over by the Concept Plan which sought to control land use and transportation. The core of the 1971 document was a "ring plan" which worked to structure high-density residential areas, industry and urban centers in a ring formation around the Central Business District (CBD), linked by an efficient transportation network. Several "corridors" of urbanized areas were allowed to stretch out from the CBD to the suburbs.

In 1991 the URA published a Revised Concept Plan which aims to create a "Tropical City of Excellence" [42]. The objectives of this plan are to:

—safeguard and provide land for development to meet all the needs of 4 million people;
—encourage sustained economic growth and coordinate infrastructural development;
—improve the quality of living and working environments; and
—project an "Asian City" and "tropical island" image.

One of the main aims of the 1991 Concept Plan is to build four self-contained regional centers, at Tampines, Seletar, Woodlands, and Jurong East, which will help to ease congestion in the Central Area. These centers are to be ready by the time the population reaches 4 million, sometime after 2010.

Yet, the existing town centers may not be too badly affected because of their transport links, including the MRT, and under the provisions of the Concept

Plan it is possible that they could form a network of interdependent centers. Sim [48] has argued that where the neighborhood centers are concerned, the situation might not be so favorable. At present, the majority of neighborhood centers function basically as convenience centers where the HDB residents go for food purchases. As the town centers become more accessible and more attractive, there is a danger that the neighborhood centers might be left out of the mainstream of economic activity. This will lead to a decline of the retail facilities unless some improvements are made [38]. She continues that:

> it might not be economically viable to retain the present number of neighbourhood centres and maintain their existing trade-mix. Due to differences in catchment areas, not all neighbourhood centres should be of the same size and have the same trade-mix. The number and types of retail outlets should match the catchment areas. In smaller catchment areas with lower purchasing power, the neighbourhood centres might be reduced to only a mini-market, with some food outlets and a small number of retail shops. On the other hand, the bigger catchment areas with higher purchasing power should be served by up-graded neighbourhood centres, offering not only convenience goods but also shopping goods, perhaps organised on special themes. [38, p. 20]

3. *Retail Sector Development Plan*

In 1992 the government also launched the more specific Retail Sector Development Plan (RSDP), which is a comprehensive plan to help small and medium-sized retailers to upgrade their businesses. The main measures under the plan are the sale of HDB shop units to their tenants and a series of schemes to improve the training and efficiency of those retailers. The RSDP has taken a number of years to come to fruition, beginning as it did with a ministerial review in 1987. It was launched officially on March 2, 1992 by the Senior Minister of State for Trade and Industry, Mr Lim Boon Heng. The main measures included within the plan are:

—the sale of HDB shop units to tenants;
—the promotion of economic groupings to improve the attractiveness of neighborhood centers through a franchise/cooperative center to be established by the National Productivity Board (NPB);
—the implementation of training programmes for small retailers which will be provided by the NPB;
—the provision of business guidance and consultancy services;
—liberalization of the Ministry of Labour's current 20 per cent policies on foreign workers, as shops with two local workers are allowed to employ one foreign worker;
—the promotion of computerization, with the National Computer Board helping small retailers to install computers in order to improve their efficiency;
—the provision of financial and technical assistance for shopkeepers.

The sale of HDB shops to sitting tenants is the area which has attracted the most attention and this is already underway. The HDB has been renting out shops since 1960 but it has been unable to raise rentals in line with inflation because of dissatisfaction among its tenants. In 1992 40 per cent of HDB tenants were still paying less than half the current assessed market rent with the consequent effect on the profitability of HDB centers [48]. The HDB is to sell 12,000 shops over the next seven to ten years, beginning with 1,200 shops in the first year. The sale of shops is being accompanied by a loosening of the HDB's controls over tenants and change of use. The sales plan takes the form of a three-year rolling programme which will be updated every six months. One area where the government's intentions remain unclear is that of resale. The new ownership rule enables tenants who buy their shops to sell them to a third party at any time, provided that they obtain HDB approval. In the past the HDB has tried to control the tenant mix in its estates in order to ensure a wide variety of goods and services. The new rules could alter this mix in a radical manner.

E. *Summary*

To summarize, we can look at the changes which have taken place in the policy framework in Singapore in a sequence of broad phases:

1960s—The New Towns were established and essential shopping facilities were provided locally based around controls on land use and the change of use of retail properties.

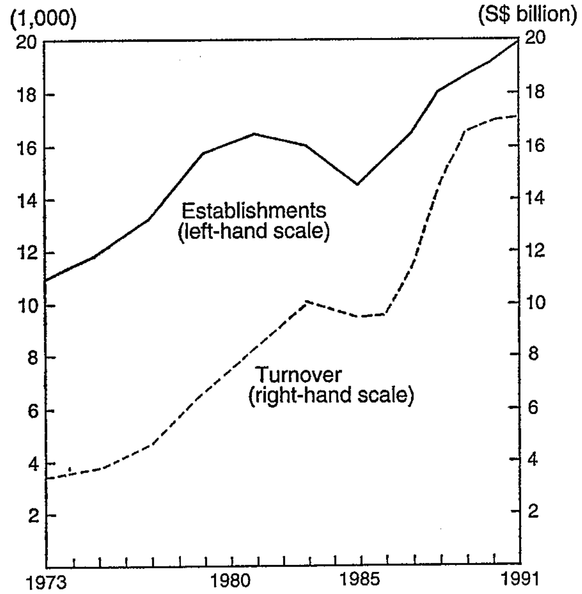
1970s—The New Town policies were continued and the Central Area was redeveloped to provide modern, large-scale shopping centers with catchment areas extending beyond the island itself. These changes were brought about through sweeping powers allowing government agencies to purchase and amalgamate land parcels for resale to developers.

1980s—Both of these policies were continued leading to both the physical and functional separation of retail facilities and retail forms between the central and suburban areas. There were few opportunities provided for foreign retailers to operate outside the Central Area and most of their attempts at expansion in the suburban areas were unsuccessful.

1990s—Controls over New Town properties and suburban locations have been loosened through the sale of HDB properties and land. For foreign retailers this is opening up whole new catchment areas, many of which now have modern infrastructure developments and local residents with relatively high levels of disposable income. Suburban developments now appear to be more attractive and more profitable to many retailers.

Singapore's retail market has been open to foreign investment throughout the whole of this period but, as we have seen, the locations available have been controlled by state-run bodies. However, the changes being implemented in the 1990s have opened up the domestic retail market to foreign retailers in a far more widespread manner. In this sense, the changes are analogous to the market opening measures being contemplated in other Asian countries. We must now turn to see the existing levels of investment by foreign companies in Singapore's retail sector and the likely effects of the changes in land-use controls on future patterns of investment.

Fig. 4. Retail Establishments and Turnover in Singapore, 1973–91



Sources: [40] [10].

II. FOREIGN INVESTMENT IN RETAILING IN SINGAPORE

A. *Retailing and Recent Changes in the Economy*

Before looking at the level of foreign investment in retailing in Singapore, it is instructive to examine the net effect of the other changes which have taken place in the sector. Figure 4 shows the growth in the number of retail establishments and in retail turnover during the 1970s and 1980s. Shop numbers increased from nearly 11,000 in 1973 to almost 20,000 by 1991 as new shopping centers were built throughout the island.[1] As was noted above, many of these new shops are small and, as they are now regarded as poorly sited or poorly run, it is government policy to try to rationalize the sector.

Retail turnover quadrupled during the 1980s, outstripping the growth in shop numbers, largely because of the increase in the number of large stores. In 1989 just 132 department stores and supermarkets accounted for 18 per cent, almost one-fifth, of the total retail turnover [40]. Of these, there were approximately 20 department stores which, apart from the Singapore-based C K Tang, Metro and Robinson chains, were foreign owned, mainly by Japanese companies. The supermarket sector was made up of primarily Singapore-based companies, including

[1] The decline in shop numbers in the early 1980s reflected the combined effects of the redevelopment policies of the HDB and the URA and a short economic recession.

NTUC Fairprice, Emporium Holdings, Cold Storage, and Prime Supermarkets. There was also a huge increase in concessions selling upmarket brands from all around the world; however, most of these concessions are run by local trading companies. In 1983 there were believed to be just 214 foreign-owned retail establishments in Singapore [49]; by 1989 this had risen to 496 establishments, still only 3 per cent of the total [40]—although many of these stores were much larger than their local competitors [57].

Singapore's liberal attitude towards foreign companies has been seen by a number of companies as a means of entry into Southeast Asia and has led to a considerable level of foreign investment. Japanese retailers, such as Isetan and Yaohan, have been in Singapore for over two decades; the influx of Japanese tourists brought in Daimaru, Sogo, and Tokyu, while European and American companies have also arrived in force (Table I).

The bulk of the growth has been organic. European and American companies have favored the use of franchises as a means of spreading the risk. The local partners have been viewed as in a better posiiton to tailor the product mix to the needs of local consumers, and the net result has been an emphasis on the product brand rather than the retail brand. This has been an advantage for a company such as the United Kingdom's Marks & Spencer, which trades in Singapore as St. Michael. This company has found it difficult to transfer its whole operation overseas because of the management's preoccupation with the maintenance of the retail brand even though this may have virtually no recognition among consumers in other countries. Franchising has also proved to be an advantage for companies such as Toys "R" Us, Body Shop, and Marks & Spencer because the Singaporean franchisee has been able to expand these chains into neighboring countries too.

The French companies Galeries Lafayette and Au Printemps appear to have misjudged the local market, taking unpopular locations and having no strong image to attract consumers. Au Printemps closed its store in 1989, and Galeries Lafayette, a joint venture between the French parent company and a local business, lost between S$15–20 million in its first three years of operation. Much of this was due to the company's original choice of an off-center location and the associated costs of closing its first store and reopening within the Central Area. It is now said to be profitable and in 1992 the French parent paid S$2.43 million to regain total control in an attempt to use French goods and fashions to provide a greater focus for the store chain [15].

By way of contrast, the Japanese retailers have tended to open trading subsidiaries in Singapore, although they may have been involved in joint ventures with local property developers for the actual construction and management of the shopping centers within which they trade. This is in sharp contrast to the patterns of management agreements, joint ventures, and franchises into which they have entered in neighboring countries where governments apply controls on foreign investment and the ownership of companies [29] [8].

The small size of the market in Singapore when compared to Malaysia, Indonesia, or Thailand has discouraged some companies. For example, Park 'N' Shop, the supermarket chain owned by Hong Kong's Hutchison Whampoa, is

TABLE I

MARKET ENTRY INTO SINGAPORE OF FOREIGN RETAILERS, 1971–95

Year	Retailer	Country of Origin	Sector	Ownership	Current No. of Stores
1970s	Dairy Farm	Hong Kong	Supermarket	Subsidiary	Withdrew[a]
1971	Isetan	Japan	Department store	Subsidiary	4
1974	Yaohan	Japan[b]	Department store	Subsidiary	4+2[c]
1975	Courts	U.K.	Furniture	Subsidiary	6
1980s	7-Eleven	U.S.A.	Convenience store	Franchise	64
	Giordano	Hong Kong	Clothing	Subsidiary	11
	St. Honore	Hong Kong	Food	Subsidiary	8
	Weitnauer	Switzerland	Duty-free	Joint venture	1[d]
	Duty Free Shopping	U.S.A.	Duty-free	Joint venture	1[d]
	Van Cleef & Arpels	U.S.A.	Jewellery	Subsidiary	3
1982	Au Printemps	France	Department store	Subsidiary	Withdrew[e]
	Galeries Lafayette	France	Department store	Joint venture	2
1983	Daimaru	Japan	Department store	Joint venture	2
	Kimisawa	Japan	Supermarket	Subsidiary	2
	Body Shop	U.K.	Cosmetics	Franchise	6
1984	Toys "R" Us	U.S.A.	Toys	Franchise	3
	Kinokuniya	Japan	Books	Subsidiary	5
1985	IKEA	Sweden	Furniture	Franchise	1

Table I (Continued)

Year	Retailer	Country of Origin	Sector	Ownership	Current No. of Stores
1986	Sogo	Japan	Department store	Subsidiary	1 + 2[c]
	Marks & Spencer[f]	U.K.	Clothing	Franchise	8
1987	Tokyu	Japan	Department store	Subsidiary	1[g]
	Habitat	U.K.	Furniture	Franchise	1
	Mothercare	U.K.	Children's products	Franchise	1
	Athlete's Foot	U.S.A.	Shoes	Franchise	3
	Best Denki	Japan	Electrical	Joint venture	3
1988	Watson's	Hong Kong	Pharmacy	Subsidiary	10
1990	Takashimaya[h]	Japan	Clothing and gifts	Subsidiary	3
	Metrojaya	Malaysia	Clothing	Joint venture	3
	Meitetsu	Japan	Clothing	Subsidiary	1
	Tokyu[i]	Japan	Clothing	Joint venture	1
1991	Tiffanys	U.S.A.	Jewellery	Subsidiary	1
1992	Dairy Farm	Hong Kong	Supermarket, convenience store, pharmacy	Acquisition of Cold Storage	134[j]
1993	Takashimaya	Japan	Department store	Subsidiary	1
	Suzuya	Japan	Clothing	Subsidiary	1
	Taka-Q	Japan	Clothing	Subsidiary	1
	Towers Records	U.S.A.	Audio-visual	Subsidiary	1
	David's Holdings	Australia	Wholesaling	Joint venture	1

Table I (Continued)

Year	Retailer	Country of Origin	Sector	Ownership	Current No. of Stores
1994	Lane Crawford	Hong Kong	Department store	Subsidiary	1[c]
	Kerry's	Malaysia	Department store	Subsidiary	1[c]
	K-Mart	U.S.A.	General merchandise	Joint venture	2[c]
1995	Seiyu Saison	Japan	Department store	Subsidiary	1[c]

Source: Institute for Retail Studies database.
Note: This table excludes the multitude of concessions selling a single foreign brand which operate within department stores or as stand-alone units within some shopping centers, such as Levi's, Chanel, and Hunting World.
[a] 1984.
[b] Now Hong Kong.
[c] Planned.
[d] Center.
[e] 1989.
[f] Trading as St. Michael.
[g] Relocated 1993.
[h] Trading as Florentin and Boutique Chinoserie.
[i] Trading as Jim Thompson.
[j] Including 7-Eleven.

said to have been deterred from entering Singapore because of what it sees as the limited population size, high land costs and poor profit performance of existing operators. Dairy Farm International, the other large Hong Kong-based supermarket chain, which is owned by Jardine Matheson, tried to base an operation in Singapore in the 1970s but withdrew in the early 1980s before the shopping boom. It would seem likely that other companies wishing to enter the Singaporean market or to use Singapore as a base for expansion will have to look to acquire existing companies rather than organic growth.

Thus far, there have been only two major acquisitions of local retailers by foreign companies and, ironically, one of these has involved Dairy Farm. Cold Storage, which has one of the farthest flung networks of all the Singapore retail companies, found that trading restrictions and currency movements were making its own efforts to expand overseas much more difficult. In 1990/91 the company sold the supermarket and pharmacy businesses in Malaysia which it had spent more than a decade building up. The supermarkets went to Cycle and Carriage, a Singapore-based automotive retail group, which is expanding and diversifying throughout the region. In 1992 the remainder of Cold Storage's retail outlets were bought by Dairy Farm, which also took a stake in Cycle and Carriage in a separate deal. According to sources in Dairy Farm the acquisitions are to give them a base for further expansion in Southeast Asia [53]. Also in 1992, International Merchandise Mart (IMM), which is controlled by Yaohan, acquired a substantial stake in World of Sports, a local sporting goods company which has eight stores in Singapore. The venture provides Yaohan with a separate foothold in the Singapore market and a vehicle for further expansion into neighboring countries [17].

The sales growth of the late 1980s created sufficient demand for almost all locations to flourish. The Japanese department stores had an easy market in the tourists who came to Singapore and a glamorous image which attracted Singaporean consumers. Since 1990, two events have made both local and foreign companies reassess their operations in Singapore. The first was the change in the government's views on retailing as shown in the SEP, Concept Plan, and the RSDP; the second has been a slowdown in consumer spending. The effects of economic recession in many of the countries to which Singapore exports products has made manufacturers cut the level of their annual bonuses and to be less positive about job and pay prospects in the immediate future. As a consequence, Singaporeans have been more careful in their spending, deferring purchases, or choosing cheaper alternatives. Surprisingly, neither the recession nor the Gulf War in 1991 have had any major effect so far on the number of people who visit Singapore. However, tourists are tending to spend less during their stopovers and this has been particularly noticeable among Japanese tourists. The latter have made up 40 per cent of the customers for stores selling expensive branded goods and their expenditure began to fall in the early 1990s as a result of changes in the Japanese tax system and the strength of the Singapore dollar against the yen [21]. In addition, the growth in tourist numbers has come in terms of visitors from China, Taiwan, and the Republic of Korea who tend to spend very low amounts during their stay in Singapore [51, p. 37].

Looking back at Figure 4, these changes can be seen in the flattening of retail turnover as shown in the figure, even as the number of stores continued to grow. Sales growth and store growth matched each other very closely during the late 1980s. The last time that these figures got markedly out of step, in the early 1980s, there followed a substantial downward correction in the number of retail establishments. With the loosening of retail controls in the New Towns and the sale of shops to their owners, conditions may be very different in the 1990s. It is difficult to predict whether the small independent retailers will be able to continue operating on low levels of turnover using family labor or whether the conditions are now in place for a mass shakeout of firms similar to that which has occurred in the United Kingdom and Japan.

B. *The Scale of Foreign Investment in the Retail Sector*

It is difficult to put firm figures on the net result of all of these changes in terms of the overall level of investment or of the overall sales by foreign-owned retailers in Singapore. The categories used by the Singapore authorities in collecting retail statistics and the lack of disclosure of turnover figures by many foreign companies which are quoted on the local stock market make it a risky business. However, we can see the relative scale of the issue by looking at their market shares in a number of sectors.

1. *Supermarkets*

There are no separate published figures for sales by supermarkets alone, as they are grouped together with department stores in the official data. Total sales in this category were over S$3 billion in 1992 [10]; it has been estimated that around S$1.5 billion of this was accounted for by the 135–40 supermarkets [11, pp. 97–100]. The main foreign-owned supermarket chain, Cold Storage, had sales of S$435 million in 1992, although this included sales by its convenience store and pharmacy outlets. Nonetheless, it would seem that Cold Storage must have between 10 per cent and 15 per cent of the sales in the category overall, and up to 25 per cent of the supermarket business alone.

2. *Department stores*

This sector is believed to account for 3.5 per cent of total retail sales in Singapore, which excludes sales through the supermarkets and food halls located within department stores [11, pp. 100–107]. The same source estimated that in 1992 the Japanese department stores accounted for as much as 35 per cent of this market; adding in the sales of the other foreign-owned companies, such as Galeries Lafayette and Marks & Spencer, would raise this market share by at least another couple of percentage points. However, while they may have the market share, the Japanese department stores collectively are believed to have been operating at a loss for five out of the last ten years [18].[2]

[2] While these figures are almost certainly correct there have been persistent reports that many Japanese companies operating overseas deliberately inflate internal transfer prices in order to produce losses overseas and to retain profits in Japan. In this way they do not incur tax liabilities in the host countries [3, pp. 60–61].

One of the big issues is whether the large new outlets for Takashimaya, Isetan, Lane Crawford, Daimaru, Sogo, Seiyu, and Kerry's are going to expand the market share held by foreign-owned companies or whether they will just cannibalize their existing share. To meet the sales targets for its new store, Takashimaya will need to take an amount equivalent to over half the 1992 estimated sales of all Japanese department stores and it is difficult to see all of this coming from new customers.[3] On the other hand, the expansion by department stores into the New Towns and other suburban areas may open up new markets and could lead to real sales growth for some companies.

3. *Convenience stores*

Cold Storage is the current holder of the 7-Eleven franchise for Singapore which has been estimated to hold 20 per cent of the convenience-store sector [11, p. 110], although this may overstate their position given the existence of over 4,000 provision shops which also compete for sales in this market.

4. *Clothing stores*

Clothing is an extremely competitive market where most of the foreign activity is in brands which are sold by local concession holders, either in stand-alone stores or within the foreign department stores. One foreign retailer has been particularly active; Hong Kong-based Giordano has around ten stores selling competitively priced clothing to both tourists and locals. While market share figures for this area are meaningless, Giordano has reported annual sales growth of over 30 per cent in recent years.

In conclusion, foreign retail chains are to be found in the sectors noted above, as well as in others such as books (Kinokuniya), pharmaceuticals and personal products (Watson), and furniture (Courts, Habitat, and IKEA). However, due to the large number of small stores in Singapore, particularly in the New Towns, there are only two or three sectors where they hold significant levels of market share. In these areas though they are beginning to influence trading patterns and consumer behavior. We shall now turn to look at the strategies which are being pursued in these sectors and the likely implications for Singaporean retail companies.

C. *Strategies of Foreign Retailers*

As will be clear from the previous sections, Singapore's retail market is going through a period of major change. Deregulation has come at a time when expenditure by visitors has dropped and the shopping patterns of local residents are showing signs of realignment towards the larger stores and to new locations. This has provided new opportunities for many retailers but at the expense of

[3] In March 1994 Takashimaya announced that it had reached sales of S$150 million in the first six months of operation, putting the store on course to reach its target of S$300 million per annum. This happened at a time when Isetan (Singapore) reported a half-year loss of S$3 million and local stores C. K. Tang and Metro lost S$5.5 million and S$5.1 million respectively [51].

profits in the short run. As will be seen below, falling profits are potentially more serious for the smaller Singaporean retailers which do not currently have the overseas networks to offset losses in the home market.

Despite their current losses, foreign retailers have, as yet, shown no signs of leaving the market but are prepared to remain in Singapore in order to build stronger positions in the future. Rather than leave, companies have been forced to look again at their strategies and many have decided either to aim at specific consumer segments or to change the segments which they are targeting currently. At this point in time it is possible to see three main reactions to the current uncertainties in the Singapore retail market: attempts to refocus on local shoppers, taking the company upmarket, and efforts to expand the geographical market, either domestically or overseas.

1. *Refocusing on local shoppers*

The downturn in consumer spending in the early 1990s has caused some foreign retailers to respond by trimming their operations and refocusing their marketing operations towards the local shopper instead of high-spending tourists. Many traders have resorted to renegotiating terms with their principals abroad and to diversifying their goods from European names to Hong Kong, Malaysian, and even Singaporean brands. The switch to less expensive brands should have greater mass appeal and is a trend that is likely to continue for the foreseeable future. Isetan is said to have adjusted its merchandise mix to provide more "value for money" items [28], and while retaining the upmarket design of its new flagship store at Shaw House, it is now aiming to cater to local shoppers [32].

The other major new Japanese entrant, Saison, is involved in a mixed development some distance away from Orchard Road at Bugis Junction in the old Arab Quarter and will have some 39,000 square meters of retail space. Like Takashimaya, Saison will have a large store (22,300 square meters) and, through its sister company, Parco, will manage the rest of the retail space (16,700 square meters). However, Saison's decision to put its Seiyu supermarket format into Bugis Junction instead of a Seibu department store would suggest that Saison too has targeted the middle rather than the top-end of the retail market [22].

These changes are a (belated) reflection of the changes in both the composition of the tourists visiting Singapore and in the shopping behavior of many Singaporeans. These consumers are said to be attracted to what retailers call "bridge merchandise"—merchandise that ideally combines affordable pricing and designer-label quality, such as the cheaper offshoots of designer labels like DKNY, a Donna Karan New York second line [51, p. 38]. In areas such as clothing, this behavior reflects the wide availability of competing merchandise through many different forms of outlet in the Central Area and the New Towns.

The net result is an increase in niche retailing which suits the local retailer just as much as the foreign one. The niche retailers with a loyal customer base include Robinson's St. Michael stores (Marks & Spencer), furniture retailers Courts and Hwa Tat Lee, and upmarket watch retailers Hour Glass and Sincere Watch. Customer service has been an important issue here, and this has been reflected too in the reaction of many retailers who have aimed to move upmarket in order to sustain profits.

2. *Taking the company upmarket*

With well over 100,000 square meters of retail space coming on line on Orchard Road in 1993/94, property owners have had to be prepared to take lower rents and to think more clearly about the future of their shopping centers. One response has been the refurbishment of the older (and not so old) centers to allow them to compete on a more equal footing with the new developments [27]. Shopping center managers now talk of having to refurbish their centers every three-five years in order to retain the loyalty of existing shoppers, and because it acts as a form of advertising, refurbishing also keeps the center in the guide books and on the list of places to visit. For example, Sogo acquired the Paragon Centre in 1990 and it has refurbished the basement to provide an upmarket supermarket and food center aimed mainly at tourists and expatriates. Sogo has been raising rental levels as part of a bid to push the whole center further upmarket, and it seemed certain to take over the main retail space when the lease of the existing tenant, Metro, expired at the end of 1992. Similarly, Isetan's new store in Shaw House on Scotts Road has provided a more upmarket replacement for the twenty-year old store on Havelock Road which was too small and was located away from the established shopping areas.

Takashimaya, which opened in mid-1993, is using its expertise in its home market to birng the "true flavor" of Japanese retailing to Singapore. Spread over six floors, the Takashimaya department store is the largest in Singapore and the first to look like its counterparts in Japan. It includes ten–twelve restaurants, a "cultural gallery," a "culture school," art exhibitions, gymnasium and a multipurpose hall capable of holding fashion parades, motor shows, and karaoke festivals [54].

Takashimaya first tested the market in Singapore with their Florentin and Boutique Chinoserie small stores, and the company has also brought in specialist Japanese companies, such as Taka-Q and Suzuya, which have not been represented in Singapore previously. To ensure that the concept works, Takashimaya had sought to keep rents in the adjoining Ngee Ann City shopping center high in order to attract high class tenants. However, a year after Toshin, its property arm, began marketing the retail space, it was forced to cut its asking rentals by up to 15 per cent in a bid to fill the available space. As of June 1992 it was believed to have signed up just four retailers, whereas the space available can accommodate up to 150 stores [46]. Such is the fierce competition among the shopping centers on Orchard Road for tenants that by the time of opening Toshin had enticed in sufficient companies to fill most of the space although at the expense of some of the variety and exclusiveness which it had sought originally. To add to the general woes of the sector, it has been estimated that Takashimaya's efforts to recruit sufficient good staff pushed up wage levels in the Central Area by 10 per cent in 1993 [51, p. 37].

3. *Geographical expansion*

Squeezing more out of their existing stores has been one possible response from foreign retailers to the decline in sales; expansion is another. Expansion into the HDB estates and suburban areas is a route now attracting many companies; others have chosen to expand overseas.

First, the relaxation of restrictions by the HDB is already showing what might happen under the SEP and the Concept Plan. In 1989 and 1990 the HDB made available a number of retail sites in Yishun, Tampines, and Jurong East. In Yishun, the Northpoint Centre, which opened in late 1992, includes foreign retailers such as Cold Storage, Toys "R" Us, St. Michael, and Body Shop [61]. Sogo is to be the anchor tenant for the DBS Building in Tampines with a 5,400 square meter department store [47]. In Bishan, a 3,700 square meter Daimaru department store and a SAFE Superstore are the key tenants in a development by Singapore Technologies and Liang Court which opened in December 1993 [6]. In Jurong the Yaohan-controlled IMM has built 172,000 square meter of floor space which it is hoped will become the largest wholesale market in Southeast Asia with exhibition space for around five hundred companies. It also houses the headquarters of Yaohan's International Division which runs all of the company's non-Japanese operations, other than those in Hong Kong, Macau, and China.

In addition, as soon as the scheme to sell HDB shops was announced, companies began to approach shopkeepers with offers to buy or reassign their leases in advance of the sales. The investment company Huico Holdings, acting for a large Hong Kong-based herbal medicine chain, has been trying to assemble a chain of small shops in the New Towns [16]. McDonalds, St. Honore, and Watson's were said to be early entrants into the market for prime locations like Bishan, Ang Mo Kio, and Toa Payoh. There have also been allegations that Hong Kong-based jewellers and property companies have been offering 15 to 20 per cent over the market price for shops in some areas [31]. It is still not clear however whether the HDB will allow foreigners to buy shops in these suburban areas.

As can be seen from this list, many foreign companies believe that new markets are opening up in the New Towns, which will link with the changes being made by some companies in their merchandise ranges. Prior to 1990, the main excursions by foreign retailers were into two specific locations (Parkway Parade in Katong and Holland Village), or specific trades, namely, furniture (Courts and IKEA) and toys (Toys "R" Us). Since 1992 there has been a move by department stores into the suburbs and a broadening of the number of players. These changes are bringing more of the population of the island within the ambit of foreign retailers and increasing the level of competition in nearly every trade. Already, rents in the prime suburban locations have risen to match those of secondary locations in the Central Area.

The net result is that foreign retailers are expanding in both the Central Area and are looking to move into the suburbs. Their expansion is squeezing the local chains which are also suffering from the current recession. C. K. Tang, Metro, and Robinson's are facing direct competition from some of the largest Japanese companies, and Metro in particular is suffering from the effects of its efforts to diversify during the 1980s. The main local chains in the suburban areas are the supermarkets (NTUC Fairprice, Oriental Emporium, and Prime), convenience stores (Econ Minimart and NTUC Franchise), pharmacies (Apex), and bookshops (Times, MPH, and Popular). There are still local opportunities for expansion in these and other sectors but, in part, this is because they have been tagged as too small for foreign companies to enter.

Singapore retailers run the risk of being marginalized. Their home market may prove to be too small for them to survive any onslaught from large foreign companies prepared to carry losses through bad years. Accordingly, a number of companies have taken the decision that they must expand overseas if they are to be able to continue to grow.

> For all their resourcefulness, retailers see the writing on the wall. The future is in the region. Says Mr Chia Shi Teck, managing director of Heshe Holdings: "In the past, if you were developing a new line of clothes, you might plan to set up 10 stores in Singapore. Now you would have to look at the region, a few stores in Indonesia and a few in Malaysia, to make the venture workable." What that means is that the earnings from the region will over time overtake contributions from the local market.... But the rewards of regional expansion will not be immediate. In the meantime, retailers will have to fork out more money upfront. Says Mr Chia: "When you first move into the region, you're ploughing in before you can enjoy economies of scale." He thinks it will be three years before earnings from the region trickle in. [51, p. 40]

A list of some of the existing or planned moves by Singaporean companies is shown in Table II. Malaysia is the most obvious choice given its proximity and that country's Bumiputera laws, which while calling for 50 per cent Malaysian involvement in new companies, are less restrictive than those of some other countries, such as Indonesia or Vietnam. In the latter countries, franchise arrangements are popular for this reason and because they reduce the level of capital and the risk involved for the Singaporean company.

The net result is that as foreign retailers begin to expand in Singapore and increase their share of a number of markets, local retailers are being forced to take a wider regional view. Companies such as C.K. Tang, NTUC Fairprice, Hour Glass, and Emporium Holdings are looking to new markets for profits and to spread the risk. But this expansion holds risks of its own: first, it decreases profitability in the short term, increasing the pressures on retailers from both competitors and investors to maximize the returns from their existing businesses, at a time when those businesses are already under threat. Secondly, many of the competitors invading the Singaporean market are also present in neighboring countries such as Malaysia and Thailand. While these markets are the easiest for Singaporean companies to enter, they hold out the threat of competition being spread across national boundaries. As can be seen from Table II, Singaporean retailers have reacted further to these pressures by looking to invest in new markets with great potential, including the People's Republic of China and

TABLE II

OVERSEAS ACTIVITIES OF SINGAPOREAN RETAIL AND WHOLESALE COMPANIES

Country	Company	Sector	Ownership
Australia	Hour Glass	Jewellery	Subsidiary
	Noel Hampers	Gifts	Franchise (planned—1992)
Brunei	Guardian Pharmacy	Pharmacy	Franchise with local company
	Metro Holdings	Supermarket	Subsidiary
	Wing Tai	Clothing	Subsidiary
Cambodia	NTUC Fairprice	Supermarket	Joint venture with local company (planned—1994)
China	Emporium Holdings	Supermarket	Joint venture with Chinese and Taiwanese companies
	Metro Holdings	Department store	Joint venture (planned—1993)
	NTUC Fairprice	Supermarket	To own and operate a commercial building in Fuzhou City
	NTUC Fairprice	Supermarket/department store	Signed a Memorandum of Understanding to take over two department stores in Chengdu City
	QAF Ltd.	Supermarket	Joint venture
	Parkway Holdings	Clothing	Subsidiary (planned—1992)
	Singapore Trade Development Board	Gifts	To operate store for display of Singapore merchandise

Table II (Continued)

Country	Company	Sector	Ownership
Hong Kong	Emporium Holdings	Supermarket	Joint venture with parent company (planned—1994)
	Hour Glass	Jewellery	Subsidiary
	Noel Hampers	Gifts	Franchise (planned—1992)
	Parkway Holdings	Clothing	Subsidiary (planned—1992)
	Times Bookshops	Books	Subsidiary
Indonesia	F. J. Benjamin	Duty free	Subsidiary
	Emporium Holdings	Supermarket	Management agreement with local retailer
	Emporium Holdings	Supermarket	Subsidiary (planned—1994)
	Emporium Holdings (t.a. Sports Stop)	Sports goods	Franchise with local retailer (planned—1991)
	Guardian Pharmacy	Pharmacy	Franchise with local retailer
	Hour Glass	Jewellery	Joint venture with local retailer
	Metro Holdings	Department store	Management agreement with local retailer
	NTUC Fairprice	Supermarket	Joint venture (planned—1994)
	Parkway Holdings	Clothing	Subsidiary (planned—1992)
	Times Bookshops	Books	Joint venture with local retailer

Table II (Continued)

Country	Company	Sector	Ownership
Malaysia	Apex Pharmacy	Pharmacy	Subsidiary
	China Silk House	Clothing	Franchise with local retailer
	Cycle & Carriage	Supermarket, pharmacy	Subsidiary
	Emporium Holdings (t.a. Sports Stop)	Sports goods	Franchise with local retailer (planned—1994)
	Hour Glass	Jewellery	Subsidiary
	Hour Glass (t.a. Milano Pizza)	Food	Subsidiary (planned—1993)
	Metro Holdings (t.a. Toys "R" Us)	Toys	Joint venture
	Metro Holdings	Department store	Shareholding in local retailer
	MPH Bookstores	Books	Subsidiary
	Noel Hampers	Gifts	Franchise with local retailer
	NTUC Fairprice	Supermarket	Joint venture
	Page One	Books	Subsidiary
	Robinson (t.a. St. Michael)	Clothing	Extension of franchise
	C. K. Tang	Department store	Subsidiary (to open in 1994)
	Times Bookshops	Books	Subsidiary
Myanmar	NTUC Fairprice	Supermarket	Joint venture (planned—1994)
Papua New Guinea	Metro Holdings	Supermarket	Joint venture with local retailer
Thailand	Cold Storage	Food	Joint venture with local retailer
Vietnam	Cold Storage	Supermarket	Management agreement with local retailer
	NTUC Fairprice	Supermarket	Joint venture (planned—1994)

Source: Institute for Retail Studies database.
Note: The letters "t.a." stands for "trading as."

Vietnam. However, these markets in turn tend to imply high risk investments with a relatively long period before a full return on investment can be guaranteed. With their small home base and relatively small financial reserves many Singaporean retailers may find themselves under attack at home and overextended abroad.

III. CONCLUSION

It would seem that in the mid-1990s the retail sector in Singapore is undergoing yet another period of major change. The efforts of government agencies in the 1970s and 1980s moved the retail sector from a position in which it was decaying, with the greatest growth coming in the informal retail sector and hawkers, to a modern environment capable of attracting shoppers from other continents. Those tourists, along with the growing affluence of the Singaporeans themselves, have attracted Japanese, European, and American retailers.

Now, however, things seem to be changing again. In the short term, recession is bringing its own problems, but it would also seem that longer-term changes are occurring. National markets throughout Southeast Asia are being opened to foreign retailers (or companies have found ways of circumventing local controls), so that the same companies, such as Sogo, Yaohan, and Daimaru, are to be found in the neighboring countries of Malaysia, Indonesia, and Thailand as well as in Singapore. In addition, changes in sales tax rates, as in Japan, and the growing strength of the Singapore dollar have also had an impact on sales. In recent years the flow of Malaysian shoppers into Singapore has been reversed as Singaporeans seek bargains across the causeway in the new department stores and shopping centers of Johor Baru.

As the market has become more unpredictable, so the retail sector is entering a period of uncertainty. Existing retailers are amending their merchandise strategies to meet short-term problems, but they must also react to the threat of major new entrants. The government's desire to unbundle the small-shop sector in the New Towns from HDB control and its need to create new regional centers to counterbalance the Central Area is providing new opportunities for the expansion of multiple retailers of all sorts. But the relative openness of the Singapore economy to foreign investment and retailers also means that Singaporean retailers run the risk of being marginalized.

In short, once again the government has looked at the retail sector and decided that is an area which does not need investment controls but a level of management and intervention which is normally only given to the manufacturing sector in other countries. The government may be reducing controls in some operational areas, but it is not loosening the bonds completely because it sees the sector as having strategic significance. Consequently, retailing is a key element in the Strategic Economic Plan, the URA's Concept Plan, and the Retail Sector Development Plan. The state made the retail sector what it is currently in Singapore; it will be interesting to see if it can remake the sector to meet the needs of the populaiton and retailers for the next two decades.

If the government's plans succeed then it would appear certain that consumers in Singapore will find that their shopping facilities have been modernized further. However, the introduction of more competition from large (often foreign) retailers may mean the closure of existing small shops in neighborhood centers. As a result, consumers may have to travel further to shop, and there may be a reduction in the diversity of the goods and shops available in both local and town centers. Some well-known local companies are likely to go under or have to change their operations significantly, and it is uncertain whether they have either the capital or the understanding of local markets to be able to survive by growing overseas.

Nonetheless, the state's relative openness to investment has brought some benefits. Singapore is being viewed by a number of major retailers, such as Yaohan and Toys "R" Us, as a base for expansion throughout the region, in much the same way as Hong Kong is seen as the gateway to China. The loss of local control over local companies such as Cold Storage may raise some fears given the volatility of international capital movements, but it can also be seen as a vote of confidence in Singapore and the stabiity of the investment environment. Also, unlike some of the other recent developments, it also promises greater advantages for residents rather than foreign tourists.

The lessons for other countries as they loosen their controls over foreign investment in the retail sector would appear to be clear. First, the removal of TRIMs likely to bring new and often exciting forms of retailing to a country, introducing new products, and when coupled with a relaxation of other import controls, it can also help to improve the quality of the products available to consumers. This would appear to be one of the lessons which is being learnt currently in Korea, for example. Secondly, these benefits will not necessarily be evenly spread. Foreign retailers will tend to cluster initially in the major urban areas where disposable income is highest and the distribution network is most advanced; even in a country the size of Singapore, we have seen that location has been a major issue for such firms. Thus, they will not be available to much of the population but neither will they affect the workings of the preexisting retail structure. Finally Singapore shows (as has Japan before it) that the modernization of the retail sector will take more than just the approval of GATT or SII measures and the injection of foreign investment. There are very many small retailers in each of the countries of Southeast Asia, and they have the potential to become large political pressure groups. Even in Singapore, with its strong orientation towards state intervention in the market process, the government was very cautious and took several years to formulate plans for the retail sector. It is entirely possible that in some countries the current moves to open the markets to foreign investment will go no further or even be reversed as the full implications of the effects of the rationalization of the sector become apparent.

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