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A Multicultural Joint Venture Under the Post-Developmental State in Singapore

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ABSTRACT *As a multi-cultural country with a British colonial past hosting many different ethnic groups including Westerners, Singapore juggles with the often conflicting forces of Westernization (holding the promise of economic prosperity) and Asianization (holding the promise of a distinct cultural identity). Although the endorsement of 'Asian values' by Singapore political leaders such as Lee Kuan Yew may be seen as a mere rhetoric device to either explain ethnic Chinese business success or the Asian crisis, the question needs to be raised as to the ways in which the Asian Values discourse affects both Western and Asian MNCs operating in Singapore. In order to address this question, this article investigates the participation of a European–Japanese joint venture in a large government-sponsored reclamation project in Singapore. It is a rather unique situation in which the state as paymaster has the upper hand over the partners. The investigation shows that reference to 'Asian values' is a significant boundary-marking strategy used by both the Singapore government and the joint venture partners to manipulate the power balances in this triangular relationship. The outcome is more often than not advantageous for the Singapore state.*

KEY WORDS: transnational joint ventures, post-developmental state, Asian values, power balances, Singapore

After separation from Malaysia in 1965, Singapore's relatively underdeveloped traditional entrepôt and trade-based economy became transformed into a labour-intensive, export-oriented, and manufacturing-based economy led by multinational companies (MNCs). The state played a prominent role in these economic transformations. Assuming the role of a developmental state, the Singapore government designed a national development strategy characterized by far-reaching state interventions in the economic, political and social domain of the city state. Its economic development was guided by state development plans implemented by government boards, while state-owned enterprises (government-linked companies [GLCs] and statutory boards) became important players in the domestic economy (Low, 1998; Vu, 1994). The state invested in the industrial infrastructure and in a high quality workforce, while at the same time it disciplined labour and eliminated ethnic unrest (Mirza, 1986). This economic policy created conditions conducive to investments by multinational corporations

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who shaped the economic landscape of Singapore into the major business hub of Southeast Asia.

Foreign MNCs still play a dominant role in both manufacturing and technology transfer in Singapore. In the late 1990s, about three-quarters of Singapore's manufacturing output was contributed by MNCs, and foreign capital amounted to more than 60 per cent of the equity capital of manufacturing firms in Singapore (Wong, 2001: p. 36). Technological development in Singapore then was generated by technology transfer from MNC headquarters to their subsidiaries in Singapore and through outsourcing and subcontracting to local supporting industries (*ibid.*: p. 45). As Singapore wishes to attain developed country status its government has taken measures to lift the dependence on foreign investments and the reliance on foreign MNCs and joint ventures, in order to move toward an innovative and wealth-driven economy supported by a fully-fledged domestic capital market (Low, 2004: p. 168). Therefore, after decades of welcoming foreign, in particular Western, companies to invest in the Singaporean economy, the government has begun to stimulate domestic firms to venture into research and development activities and to export technology to other parts of Asia, in particular to other ASEAN (Association of Southeast Asian Nations) nations and China (Campbell, Campbell & Chia, 2001: p. 113).

In the mid-1970s, the Singapore government developed a discourse that opposed 'Western' to 'Asian' values, with a clear preference for countries with a 'common Asian culture and values'. (Low, 1998: p. 50; Wee, 2002b: p. 139). While a discernible modernization process according to Western principles continued, Singapore's leaders started to disapprove publicly of the social and cultural changes brought about by this very modernization, and to contrast the 'hedonistic individualism gained from the media' (Wee, 2002b: p. 139), showing the commitment to collective concerns found in societies based on Confucian principles. A process of 'Westoxification'¹ set in, constantly blurring the boundaries between 'modernity' and a 'tradition' invented to suit the needs of the Singaporean nation state (*ibid.*). The Asian values discourse figures as a strategy for strengthening the ties with Singapore's Asian neighbours in order to overcome economic recession and to counteract political insecurity in the Southeast Asian region. However, Singapore's regionalization policy must also be regarded as a balancing act to establish an identity of its own. As a multicultural country with a British colonial past hosting many different ethnic groups including Westerners, Singapore juggles with the often conflicting forces of Westernization (holding the promise of economic prosperity) and Asianization (holding the promise of a distinct cultural identity).

Although the endorsement of 'Asian values' by Singapore political leaders such as Lee Kuan Yew may be seen as a mere rhetoric device to either explain ethnic Chinese business success or the Asian crisis (Redding, 2000: p. 34; Smart & Smart, 2000: p. 255; Wee, 2002b: pp. 134–144, the question needs to be raised as to the ways in which the Asian Values discourse affects both Western and Asian MNCs operating in Singapore. To what extent and in which ways does the Singapore government give preferential treatment to organizations from Asian countries in terms of the allocation of government tenders and in negotiations with the Singaporean authorities due to this discourse? Conversely, to what extent does

the Singapore government subordinate Western enterprises to their Asian competitors in such situations? And, how does a differential treatment of Western and Asian organizations affect the participation of both as partners in cooperative ventures? In order to address these questions, this paper investigates the participation of a European–Japanese joint venture in a large government-sponsored reclamation project in Singapore. It is a rather unique situation in which the state as paymaster holds the upper hand over the partners. The investigation focuses on the way in which the relationship between the Singaporean authorities and both joint venture partners affects the delicate power balance between the partners in this multi-cultural joint venture. It will be shown that reference to ‘Asian values’ is a significant boundary-marking strategy used by both the Singapore government and the joint venture partners to manipulate the power balances in this triangular relationship. The outcome is more often than not advantageous for the Singapore state.

This study is based on five months of anthropological fieldwork in the European–Japanese joint venture in Singapore by the second author in 2002–2003. The research strategy applied methodological triangulation, combining participant observation, structured interviews and analysis of secondary data. The researcher conducted 20 in-depth interviews with both European and Japanese managers and personnel of the joint venture and with Singapore government officials in the relevant state agencies and statutory boards. She was allocated a desk in the department of finance and administration of the joint venture and participated in the working routine of the employees. Moreover, she was permitted to attend meetings of management and staff of the joint venture and a number of social events. Additionally, she analysed written sources about rules and regulations and policy measures pertaining to the reclamation project and the division of tasks between the joint venture partners and their relationship with the Singapore government. Because of her European background she more easily obtained access to and information from the Europeans employed by the joint venture. The first author provided expertise on corporate practices of the Singapore state (based on four months of fieldwork in 2000) and on cross-border organizational cooperation from an international comparative perspective.

This article starts out with a discussion of Singapore’s shift from a developmental to a post-developmental state and, in its wake, a changing policy towards Western MNCs and joint ventures. The implications of these transformations for foreign MNCs will be assessed through a two-tiered case study. On the one level, the case study analyses the shifting power relations between the partners within the joint venture, on the other level it focuses on the relationship between the joint venture and the Singapore government. The final analysis addresses the changing power balances at both levels against the background of the ‘Asian values’ debate.

The Post-Developmental State and Its Economic Policies

In contrast to its Asian counterparts that successfully induced entrepreneurship into their economies, the Singapore government itself ventured into profit-oriented government projects acting as the city state’s main economic agent,

and therefore acting as a developmental state for a number of decades. A developmental state, according to Leftwich, can be defined as a state 'whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives ...' (1995: p. 400). Guided by a committed developmental elite (the top of the governing People's Action Party), supported by a powerful and competent bureaucratic apparatus (the Economic Development Board) that effectively controls a weak civil society, the Singapore state has achieved a high living standard for its citizens in terms of infrastructure, education, housing and health care.

Domestic private enterprises did not figure in the Singapore government's policy. The ruling elite had few ties with domestic capitalists and did not put much trust in the many small Chinese businesses that characterized early post-colonial economy (Chan, 2000; Tsui-Auch & Lee, 2003). Local capital – mainly invested in trade, commerce, retail and real estate – was largely synonymous with unproductive rent-seeking activities. The government had to turn to foreign MNCs for establishing a productive manufacturing sector in Singapore (Haggard & Low, 2002: p. 306). The presence of foreign firms was strongly encouraged, in particular if these firms conducted product development work and provided administrative, technical and management services to their subsidiaries – and thereby produced goods and services for export and, at the same time, benefited the local population by offering employment, career perspectives and enhancement of technological and managerial skills. Singapore put a lot of effort into attracting regional headquarters of foreign MNCs, by pursuing a liberal policy towards foreign direct investments, including a supportive infrastructure and industrial facilities, well-established institutional and legal framework, a trained and disciplined workforce, generous fiscal incentives with minimal ownership restrictions, low investments risks, high productivity, extensive linkages with the region, a stable political climate, and attractive living conditions for expatriate managers (Chia, 1999: p. 37). This foreign-directed economic policy included both Western and Asian (in particular Japanese) firms and was regarded as incompatible with the Asian Values discourse that occasionally popped up in the speeches of Singapore's government leaders.

The majority of the foreign MNCs established wholly-owned subsidiaries in Singapore. In general, this mode of entry is preferred by MNCs in foreign markets in order to avoid 'potential conflicts of interest and business methods with troublesome local partners over how to run plants, deal with quality control and, if necessary, lay off workers' (Andrews, Chompusri & Baldwin, 2003: p. 41). Other modes of entry that entail forms of co-operation with local firms, such as joint ventures, pose challenges to internal management caused by cultural differences and often represent 'the most unpleasant aspect of any overseas operation' (Andrews, Chompusri & Baldwin, 2003: p. 42). In Singapore in particular, the Chinese preference for sole proprietorship did not 'lend itself to the formation of joint ventures that would inject needed technology and capital in the local economy' (Haggard & Low, 2002: p. 307). With local firms not being eligible for cooperation, foreign firms operating in Singapore sometimes look for other foreign companies to provide additional capital input in terms of technology,

market access or local networks. The challenges that are faced by international joint ventures of which at least one partner is locally-based are multiplied in a joint venture consisting of partners of which the parent companies all have headquarters in foreign countries (cf. Morisini, 1998). Cultural differences – constituting one of the major, though largely underestimated, obstacles in all international joint ventures – are coupled with delicate political and power differences making a foreign joint venture susceptible to manipulative local forces. ‘The evidence so far accumulated suggests that although both top executives and consultants often regard this as a soft issue, the notion that cultural issues can make or break a joint venture, appears to be a hard fact’ (Morisini, 1998: p. 20).

Despite their power – in terms of capital, technology, branding and management technique – all foreign business ventures depend on the collaboration and cooperation of local experts with their knowledge of the market and access to local resources. In the case of Singapore, these local experts were not local companies, but the government agencies of which the foreign companies became dependent. Although the 1990s brought about a re-evaluation of the government policy towards domestic private enterprises and a series of support programmes for the sector, the role of the State in the economic development of Singapore did not diminish. Instead, ‘an ongoing feature of these initiatives is their genesis in the government and its responses to market developments’ (Haggard & Low, 2002: p. 312). For that reason and because the number and the role of GLCs is still domineering the domestic economy,² Singapore may be described as a post-developmental state which is characterized by the intervention and participation of the state in the national economy existing alongside privatization and liberalization of important markets.

Western and Japanese Multinational Corporations in Singapore

The efforts of Singapore to attract foreign investments resulted in the dominant participation of firms from Japan, the United States and Europe. The largest investors are MNCs from the United States and Europe and, at the same time, their home countries form the most important markets for Singapore’s manufactures. For some time, this dependence on the West has impeded Singapore’s integration with East Asia. However, from the 1990s, Malaysia and Japan have come to play crucial roles for Singapore imports. Chia (1999: p. 34) characterizes the relationship between Singapore, Japan and the West in terms of a ‘triangular trade pattern’. Japan is a major supplier of manufactures, and the United States (and to a lesser extent Europe) is a major market. As Singapore is competing with Hong Kong in terms of being the largest regional hub, trade relations with Japan are of major importance. Vice versa, Japan takes an interest in Singapore as a trade partner in order to gain access for its products to the United States market. Beyond such strategic economic considerations, Japan’s economic success that started in the 1960s provided Singapore (and other Newly Industrializing Economies in the region) with the confidence that there are other than purely Western routes to capitalism. As the indigenized Japanese version

stressed state direction of enterprise, consensus, and loyalty to the company, a link between Confucianism and economic success was suggested, reversing Orientalist conceptions of 'Asia' and marrying them to the 'modern' (Wee, 2002b: p. 141).³

Whereas management theory created an image of Japan offering an alternative route to capitalism and economic prosperity, management practice showed that despite pronounced cultural differences, Japanese subsidiaries in Southeast Asia in general and in Singapore in particular operated much in the same manner as did Western MNCs. The vast majority of both Western and Japanese MNCs 'sought to bulldoze through their centrally formulated agendas' (Andrews, Chompusri & Baldwin, 2003: p. 311), exhibiting an ethnocentric management policy designed to enforce unified standards on the company's operations in almost all areas. An area where this policy turned out to be rather pronounced, was in recruitment and human resources management. Both Western and Japanese companies tend to prefer their own nationals in key middle- and upper-level management positions. Western MNCs, in particular in the starting phase of their foreign venture, focus on securing their own executives in the very top management positions, be it at chief executive, chairperson or general manager level. More and more, Western firms have turned to transferring the responsibilities to a suitable local general manager once the company is firmly established. Japanese companies, however, keep the reins firmly in their own hands and employ large numbers of expatriates in their overseas subsidiaries, creating a 'bamboo ceiling' for local employees that is met with local resentment (Andrews, Chompusri & Baldwin, 2003: p.109).

Although the management style employed by Western and Japanese MNCs is far from being conciliatory and sensitive to local needs, and although these foreign firms fall short of providing an avenue to top-managerial positions for well-educated local people and often fail as partners in international joint ventures because of irreconcilable cultural differences, nevertheless these companies continue to play a major role in the Singapore economy. Beside being courted by the Singapore government to invest in high-tech sectors of the economy, these firms – on invitation by the Singapore authorities – apply for and are awarded with government tenders for prestigious state-sponsored projects such as infrastructural programmes. The rationale for their continued involvement may be their competitiveness or unique expertise which domestic companies cannot match. Conversely, the principles of an indigenous business culture rooted in traditional notions of 'trust' and 'loyalty' may become more and more obsolete as the newer generation of local managers – with their US business school degrees – tend to emphasize professionalism and performance as the basic principles of management (Andrews, Chompusri & Baldwin, 2003: p. 313). This may enhance the fit between foreign MNCs and the Singapore business climate. However, without denying the validity of these arguments, another aspect should be considered, that is, the manipulative strategy of the state bureaucracy towards foreign investors as well as towards its very own members. In order to obtain an in-depth understanding of the ways in which this strategy works, the triangular relationship between the Singapore government and a Western–Japanese joint venture in a state-sponsored reclamation project will be analysed in the following section.

The Reclamation Project

Singapore is an island state of only 646 square kilometers surrounded by 58 tiny islands and islets, with a population of four million (that some estimate may rise to 5 million in the near future). The restricted living space poses a great challenge to Singapore's government. The conventional approach is to maximize space by vertical growth, a policy that resulted in the towering buildings all over the island. Another approach is extending Singapore's coastline of 139 kilometers through land reclamation. Currently, 12 per cent of Singapore consists of reclaimed land. These reclamations started as early as 1830 and are carried out at different locations around the island to increase the landmass. However, beyond current reclamation projects, further land reclamation from the sea will not be feasible beyond a depth of 35 feet (Kong, 2001: p. 233). Plans to enlarge living space in Singapore become more and more ambitious, expanding beyond the current coastline. Offshore structures of various kinds have been built, starting with offshore oil rigs in shallow waters in the 1930s and developing into bold visions of a *Megafloat*, a giant structure of multiple platforms accommodating residential and industrial constructions (Kong, 2001: p.234). These plans have been inspired by the construction of experimental floating platforms that is currently undertaken in Japan in a collaborative effort of the public and private sector (ibid.).

While such ambitious plans are on the drawing board, a number of reclamation projects are still in progress along the Singapore coastline. Over time, these projects have become more ambitious, requiring more specialized technology and knowledge which is not sufficiently available in Singapore. Foreign expert firms have been invited to participate in these large-scale government-sponsored projects that are too big and risky to be assigned to only one company. Therefore, international joint ventures were formed, often bringing together experts and managers from diverse Western countries and Japan. One such international joint venture consisting of Western and Japanese partners implementing a large-scale reclamation project will be the focus of our analysis.

In 2000, a Japanese company named Haiku Incorporated and a Western company named Limerick N.V.⁴ became partners to tender for and execute one of the major reclamation projects in Singapore under the Ministry of National Development. While the Japanese partner is of a pure Japanese background, the Western partner consists of a mix of nationals from different European countries. Both companies are experienced in working overseas and have a formidable reputation in high-tech construction works and dredging. The Joint Venture was set up as a completely integrated form on a 50/50 share basis of all rights, interests, liabilities, obligations and all net profits and losses. In this joint venture the Japanese firm acts as the sponsor company and the European counterpart as the partner. Despite the 50/50 basis, this seemingly minor detail has far-reaching consequences for the way in which external relations are maintained by the joint venture.

The Joint Venture is run by two project managers, one from Haiku and one from Limerick, the latter carrying the title of deputy project manager. These two managers oversee the work in the five sections of the cooperative venture. These sections are the Engineering department (for project design and drawings),

the Construction department (for the implementation), the Production and Planning department (for planning and control), the Finance and Administration department and the Quantity Surveyors (for external communication, contracts and orders). The largest departments (engineering, construction and finance) are run by two counterparts, one from Haiku and one from Limerick. Employees from both companies are working side-by-side throughout these departments. The two smaller ones (production and planning and quantity surveyors) are headed by a Limerick manager and staffed with Singapore employees. The permanent European and Japanese expatriate staff (23 in total of which 14 from Limerick and 9 from Haiku) together constitute the Management Team of the Joint Venture. This Management Team controls about 100 employees from diverse Asian countries, such as Singapore, Sri Lanka, the Philippines, Nepal, India, Indonesia and Malaysia. The joint venture employs a number of subcontracting firms (at the time of the research their number was 18). Among these subcontractors are diverse foreign and local Singapore firms, but also the joint venture partners themselves. At the time of the research Limerick acted as a subcontractor of two sub-projects and Haiku of six such projects. The division of management positions, number of staff and subcontractors has been established in a long and complex process of negotiations between both partner companies, and a delicate balance has been reached. Summarizing, in terms of numbers and distribution of staff over the management positions within the joint venture, the European partner has an advantage over the Japanese counterpart. The Japanese, on the other hand, control more sub-contractors under the Land Reclamation Project. How this balance is reflected in the ways in which the two partners relate to each other within, and manage external relations without, will be discussed in the next section.

The Triangular Business Venture

The Relationship Between the Joint Venture Partners Within

Much has been written about cultural differences between Japanese and Western companies and how these differences affect both management styles and efforts of Japanese–Western cooperation (cf. Benders et al., 2000; Clegg & Kono, 2002; Byun & Ybema in this volume; Graham, 1993; Harris & Moran, 1987; Kopp, 1994; Lehrer & Asakawa, 2003; Taplin, 1995; Yoshimura & Anderson, 1997). Most of these authors agree that – if not plainly destructive of cooperative efforts – cultural differences between Japanese and Western societies at large and their corporate systems in particular represent a challenge to economic cooperation and may detrimentally affect business relations. Several investigations into the organizational culture in Japanese–Western companies have shown that diverging functional relations (egalitarian versus hierarchic), varying decision-making processes (multilevel versus top-down), different working attitudes (personal interest versus loyalty towards the organization), diverging communication styles (open, direct and confronting versus closed, indirect and consensus seeking), and language problems affect the cooperation between Japanese and Dutch managers and employees (e.g. Keizer et al., 2000; Byun, 2000; Sigiura, 1998; Lindwer, 1996; Castens-Snoeker & Tsai, 1994). In this section,

we will discuss the differences and similarities between the Japanese and European partners within the Haiku–Limerick joint venture in terms of these themes.

The physical lay-out of the joint venture's office reflects the delicate balance between both partners in the daily working routine. In the two-floor building the partners occupy space divided not along national lines (which has been observed in other Japanese–European joint ventures, cf. Kok, 2001), but along departmental boundaries. The Japanese and European managers, both at the top and in the departments, have separate but adjacent offices, and the employees of the departments occupy mixed office spaces. This lay-out facilitates face-to-face contact which most employees prefer to telephone or e-mail contacts. This seemingly 'open' arrangement, however, does not imply that there are no boundaries between the Japanese and the European partners. These boundaries become visible when it comes to the weekly meetings which are held by the Haiku and the Limerick staff separately and on different days of the week. There is no regular joint meeting including all staff from both partners. There are irregular joint meetings with staff members from both partners to discuss specific issues, such as the gatherings with the subcontractors to assess their progress. These meetings are generally initiated by the Europeans who are used to discuss issues jointly, openly and at length with the aim to reach solutions to problems. In such discussions everybody has his/her say and conflicts are brought to the surface. The Japanese, however, avoid the articulation of conflicting standpoints, and prefer to do the problem solving in bi-lateral conversations. They feel uncomfortable in European-style gatherings as they are not used to speaking up for themselves. A point-of-view ventilated during meetings has official status for them, and needs to be checked with one's superiors first. In general, the Japanese regard joint meetings as a forum to exchange ideas in a harmonious way, whereas the Europeans attend meetings to reach decisions, if necessary after lengthy and heated debate.

The dominance of the Europeans in joint meetings may also be due to differences in language proficiency. In the joint venture three different languages are spoken: Japanese among the Japanese, Dutch among the Dutch and Belgians, and English for communication with each other and the Singapore client. The obvious problem with speaking one's native language is that it creates distrust, as the other party is inclined to think that gossip is being exchanged. However, the main issue is proficiency in the English language. In this respect the European staff has a clear advantage over the Japanese. The Japanese acknowledge their inferior knowledge of the English language and regret not being able to express themselves properly. But as the Japanese regard language as a minor problem, the Europeans criticize the Japanese for losing time and money due to their language deficiency. However, language is often blamed for delays and failures where cultural rules demand the observance of certain procedures that take time and may cost money. For example, for the Japanese to arrive at a decision is usually a long and complex process, as all the parties involved have to establish consensus; there is no vote by majority. Japanese employees are in a hierarchical position towards each other and it takes the superior, the boss of the immediate superior, etc. to give their consent. While hierarchy is not absent

among the Europeans – top management needs to approve of decisions affecting the company and joint venture as a whole – managers and heads of departments have relatively autonomous decision-making powers within their own domain.

These differences in hierarchical relations are reflected in personnel recruitment and management. The Haiku staff has been sent to Singapore by a decision of their mother company in Japan without asking their opinion, as one Japanese employee related:

Company sent me, I didn't know that I would join this project. Just after award this project, he inform me that he select, company select me.

For the Japanese it is not a choice but an obligation to the company to comply with an overseas assignment. The Europeans, on the other hand, have been asked or have even applied for this job in Singapore; all have joined this project based of their own free choice. Once in Singapore, employees continue to be treated differently. Working hours for Haiku staff are from eight a.m. to five p.m. and for Limerick staff from 7 a.m. to 7 p.m.. While the latter leave the office at 7 p.m., the Haiku people stay until 10 or 11 p.m.. They claim that they are expected by their company to put in overtime without payment. During the limited leisure time, there is little socializing among the Japanese staff, whereas the Europeans meet regularly for joint leisure activities. It is clear that when it comes to leisure, the Europeans and Japanese prefer to meet separately. The difference in the amount of vacation granted to Haiku and Limerick staff is conspicuous, varying between three months per annum for a European expat to three weeks per two years for a Japanese expat. These large differences arouse hidden feelings of envy among the Japanese which are never articulated openly. The Europeans, on the other hand, play down this imbalance by pointing out that they work more efficiently than the Japanese. In general, the sentiment among Limerick staff is that they contribute more, and more meaningful, work to the joint venture, and that a fifty-fifty relationship on paper is perceived as a sixty-forty relationship in everyday working life.

The Relationship Between the Joint Venture and the Singapore Government

Under the Singapore Ministry of National Development, a Statutory Board⁵ is responsible for the land reclamation projects. A statutory board is a legal body that on the one hand acts as a contractor for government projects and, on the other, as an employer for contracting firms, at the same time competing with other statutory boards and state agencies for government funding and the allocation of government-sponsored programmes. In this vein, the government can also distance itself from statutory boards if convenient for economic or political reasons (Perry et al., 1996: p. 245).

The Statutory Board calls for tenders as an agent for the Ministry of National Development for which private companies are invited to put in applications in a pre-qualifying round. The Statutory Board evaluates the applications by checking the background and reputation of the applicants, their experience with previous

projects, their capacity and financial stability. This evaluation results in the selection of a few companies which are invited to develop a fully-fledged tender proposal with a budget. Generally, but not necessarily, the company offering the lowest costs obtains the tender. In the case of the current land reclamation project, the Haiku–Limerick joint venture won the tender because they offered the lowest price but also because the Statutory Board had worked with one of the partners before to their full satisfaction.

The budget established by the contractor is a lump sum, which implies that the total costs are agreed in advance. Much depends on the contractor's know-how to establish a budget low enough to out-bid other competitors, and high enough to make a profit. Besides thorough knowledge of the market and local conditions, the contractor also needs some good luck, as costs may rise unexpectedly due to unforeseen changes in political and economic conditions. This may result in a huge loss for the contractors as they are carrying all the risks. After all, in a lump sum project there are no negotiations over the budget once the contract has been signed. A re-measurement contract, on the other hand, defines the product to be delivered by the contractor based on a preliminary estimation of costs, while the real costs are determined on finalization of the project. In Singapore, most government tenders are based on a lump sum contract. Whereas in the past, contracts between the Singapore government and their (international) contractors were constituted according to international professional standards, these stipulations have become adjusted to the advantage of the Singapore government due to the increasing attractiveness of the city state as a regional hub. The clause defining employer default (i.e., the failure of the government to fulfil the agreement) has been erased from contracts, whereas the government can break the contract with the contractor without prior notice: 'The employer may at any time give the Contractor a written Notice of Termination. This shall have the effect of immediately terminating the employment of the Contractor' (Contract Clause⁶ 31.4[1]).

Other regulations also show that the Singapore government has the upper hand when it comes to contracts with the (international) private sector. As the current case shows, in conflicts between the government and a foreign contractor, arbitration is not necessarily taken to a third neutral country but occurs under Singaporean law (Contract Clause 36: 1). Any arbitration procedure requires written consent from the Statutory Board or otherwise has to be postponed until after the termination of the contract. Moreover, any lump sum contract implies that if a contractor requires less material or time to finish the project, the Statutory Board receives money back, whereas, if more investments are necessary to finalize the project, the extra costs are for the contractor: 'Contract Sum means the lump sum set out in the Letter of Acceptance, and shall be fixed subject only to adjustments expressly provided for in the conditions' (Contract Clause 1.1[d]).

How harsh such stipulations can come down on a contractor has been felt by the Haiku–Limerick joint venture. In a separate clause attached to the contract, the Singapore government held the joint venture responsible for the provision of sand for land reclamation. This is a clear diversion from 'normal' contracts in other countries, where the national governments guarantee access to the sand

and take the responsibility in the event of shortages. In the case of Singapore, such an approach would be appropriate as the city state does not have enough sand of its own and needs to negotiate with the governments of countries in the region for access to their sand supplies. However, Singapore's land reclamation projects are disputed by its neighbours, Malaysia and Indonesia, and access to sand in their coastal areas has been refused lately. Sand has to come from far away places and from deep waters, which is pushing up the costs. It is convenient in more than one respect for the Singapore government to oblige the contractor to find the necessary sources of sand.

What impact does this imbalance of contractual rights and duties have on the ways in which the joint venture and the Statutory Board relate to each other? According to the contract between the two partners of the joint venture, they are jointly liable to the employer under this contract, that is, to the Statutory Board (Contract Clause 1.4). However, as only one of the partners can act as sponsor company of a project and as this position is taken by Haiku, it is the Japanese partner who coordinates and heads the liaison with the Singapore government departments and agencies (Contract Clause 8). At the formal level, the Land Reclamation Project is controlled by the Supervisory Board which consists of one representative from the three parties, the Statutory Board, Limerick and Haiku. The representative of the sponsor company is also the chair of this Supervisory Board who is entitled to have the final say if the Board does not reach a unanimous decision (Contract Clause 7). By controlling communication with the Statutory Board and by chairing the Supervisory Board, Haiku seems to be in a privileged position *vis-à-vis* Limerick when it comes to influencing the Singapore government. As this may become a source of mistrust between the joint venture partners, it has been decided at the beginning of the project never to meet with the Statutory Board separately. Hence, a ritual is performed when meetings have to be attended at the Statutory Board Headquarters by members of the joint venture and Statutory Board officials. The Haiku and the Limerick representatives take separate cars to the Statutory Board building in the Singapore business district. They meet in the lobby to enter the office together. These meetings are structured along a clear division of roles with the Statutory Board people demanding progress reports, asking questions and delivering complaints, and the representatives of the joint venture reporting progress or delay, providing answers and offering solutions to problems. No decisions are taken during these meetings, only information is exchanged and documentation is provided. Decisions are taken by the Statutory Board following such a meeting without further discussion. The decision is communicated to the joint venture by letter. Ad-hoc meetings on the 'shop floor' provide the occasions to discuss practical matters and take decisions how to deal with minor problems. There are frequent contacts between staff from the engineering and construction departments of the joint venture and the Statutory Board representatives on the site where the Board operates a small 'field' office.

The relationship between the joint venture and the Statutory Board is characterized by a large power distance which is enforced by clear rules concerning contacts and communication. Physical boundaries are never trespassed. While both parties can initiate a meeting, it is always the contractor who visits

the Statutory Board office; never would a Board representative enter the office of the joint venture. This applies also to the Statutory Board field office which is only a few metres away from the joint venture's office. There are no private contacts between joint venture staff and Board officials. A Japanese staff member, used to socializing with colleagues after office hours, complained: 'In other countries sometimes we go for a drink with the client but on this project we cannot go with them.' Written correspondence takes the form of letters and faxes which pass through a formal control procedure before leaving either one of the offices. E-mail correspondence does occur regularly but has no formal status and is not legally valid. These regulations serve two purposes: on the one hand they prevent the joint venture partners from establishing diverging agreements with the Board; on the other hand they preclude any suspicion of corruption. The reply of Statutory Board officials to our inquiry about possible friendships with joint venture staff was brief and absolute: 'Guidelines are quite clear!'

So far, in terms of formal regulations and visible behaviour, the three parties in this Land Reclamation Project are very careful not to trespass the boundaries of their contractually fixed rights and duties towards each other. However, if we turn to the more informal side of the communication between the Statutory Board officials and the representatives of the joint venture, how are these boundaries perceived and interpreted? How do the three parties *think* they relate to each other and what is the underlying rationale of their thinking? Getting through to this hidden level of communicative processes was not easy for the researcher. It was only after repeated interviewing that our informants were willing to go beyond their lip-service to 'objectivity' and 'equality' and to reveal their feelings about the cultural differences in the triangular working relationship. To start with the Statutory Board, a number of their officials mentioned that they felt more at ease with the Japanese in the joint venture as they were 'more polite, more obliging'. The Japanese were also said to be more willing to come up with solutions that would please the Statutory Board officials or simply comply with Statutory Board decisions. The Haiku people acknowledge that the Statutory Board exerts absolute control and top-down decision-making, they also readily accept these practices: 'Because client is client, have right to decide,' one Haiku staff said. As a consequence, the Statutory Board officials felt less inhibited to contact the Japanese first when something came up. Although the Japanese speak 'broken English' which puts limits on their communicative abilities, the Statutory Board people claim that communication with them is easier than with the Europeans because 'in terms of culture we are closer to them, we can sense what they want to say'.

The Japanese joint venture partners unambiguously share this idea of a common culture with the Singaporeans. Without hesitation they confirmed that the Statutory Board officials prefer to deal with the Japanese:

Frankly said, because client is a Singaporean, means Asian people. So I think to them Haiku is easier, because is Asian people. Because they know the mentality of the Japanese. Most of case, Japanese will not make so much noise, so to the client I think easier and more comfortable, because European people more strict.

Among the Limerick staff the way in which the Statutory Board approaches the joint venture is the object of discontentment:

They may be client, but there is also a contract. Of course, a good contractor does his best to please the client, but if the client declines to pay for all the little extras he demands, he does not get them for free. You need to talk about this, negotiate.

The Europeans feel uncomfortable with the way the Singaporeans behave in meetings and criticize them for being arrogant in their attitude towards the contractor:

If you mention in a meeting: this is a lump sum, they start to laugh among themselves; you are ridiculed, I feel, as their laughing is patronizing or disdainful. Like saying: don't you think that we will pay the lump sum that was agreed.

Though this discomfort with the Singapore way of doing business is shared by most European members of the joint venture, only a few think that the Singaporeans prefer to deal with their Japanese partners because of cultural affinity.

They meet with less, much less opposition. I think it is easier for the Statutory Board to come to an agreement with the Japanese. No, not exactly an agreement, rather no disagreement.

Another European member, however, pointed out that the Singapore and Western way of doing business has more similarities than the Singapore and Japanese practices. He pointed out that the Statutory Board is surprisingly direct in its dealings exerting a more Western way of doing business than an Asian way - which pleases the European part of the joint venture.

However, one of the Limerick staff pointed out that the Singapore government officials do not cherish emotional feelings for either one of the joint venture partners; instead, they manipulate them, benefiting from their different cultural characteristics in accordance with the requirements of the situation at hand. If the Europeans are heavy-handed, not willing to comply with the demands of the Statutory Board, they turn to the Japanese, who will not only agree but will also try to appease the Europeans. However, if the Japanese take too long to reach a decision, they will contact a European manager who will push the Japanese. In the concluding section we will return to the issue of if and how business relations and practices in Singapore are connected to Asian values and cultural affinity.

Conclusions

The contractual 50–50 basis of the cooperation between Haiku and Limerick enforces a culture of conciliation on the joint venture. All decisions taken by the partners have to be based on a consensus reached through negotiations in

the departments, the management team or the Joint Venture Board. The two partners have no right to represent separately the joint venture with regard to external relations without the explicit consent of the other. These contractual responsibilities are supported by a commitment of both partners to perform well as a team and thereby strengthen the position of the joint venture *vis-à-vis* their client and competitors. The evenly balanced representation of both partners in official boards, internal gatherings, and external meetings with the client is carefully observed. Cultural differences between both partners are evident and the challenges emerging from these differences are acknowledged in terms of complementary strengths and weaknesses. The joint venture partners both make strategic use of their differential power bases. Due to the larger number of Limerick staff in general and in decision-making positions in particular, and due to their superior language proficiency, the European partner dominates internal meetings and is able to influence decisions to their advantage. The strength of the Japanese partner is their familiarity with 'Asian' ways of doing business, which facilitates a smooth relationship and communication with their client, the Singapore government. There seems to be an efficient and complementary division of tasks between Haiku and Limerick. Without compromising the delicate power balance, the Japanese partner invests in particular in external social relations, while the European partner attends more to the core business of the joint venture, the realization of the project. This carefully established balance has so far prevented the joint venture from falling into the trap of cultural differences that has led to the ruin of so many other multicultural joint ventures. However, how is this balance affected by the third player, the Singapore government?

Clear power distance characterizes the relationship between the joint venture and the Singapore government. This power distance is rooted in and legitimized by the contractually defined conditions under which the joint venture obtained the tender for the Land Reclamation Project. The original model of this contract, acclaimed by international professional standards, has been altered by the Singapore government to its advantage, claiming the right to dispose of contractors at any time while burdening them with the responsibility of accomplishing the project (usually under conditions of a lump sum agreement). These asymmetrical relations are mirrored in the way the Statutory Board conducts meetings with their contractors. These meetings constitute an occasion to interrogate the contractors about successes and failures and to pressurize them into cutting costs for the benefit of the Singapore government. It is a question-and-answer game in which the Singaporeans set the rules. There is no open discussion or negotiation during these meetings. Decisions are taken by the Singaporeans based on the information obtained and communicated in written form to the Board of the joint venture. As has been discussed in the previous section, the Japanese partner is more inclined to accept this style of meeting than is the European partner, as Japanese practise the same form of decision-making and abide by the same rules of hierarchy and power distance in their company.

It is tempting to interpret the Japanese compliance with Singaporean ways in terms of close cultural affinity based on shared 'Asian values'. As a few interview fragments illustrate, both Japanese staff and a few European employees firmly believe that this is what makes communication between the Japanese and the

Singaporeans easy, despite language problems. However, carefully considering the attitude of the Singaporeans towards both the Japanese and European joint venture partners, an explanatory scheme featuring shared Asian values falls to pieces. The compliance of the Japanese is strategically used by the Singaporeans to exert power without having to deal with resistance. The hard-headed Europeans are more inclined to raise their voice than the soft-spoken Japanese. The Singapore preference for dealing with Japanese joint venture partners is not caused by the Singaporeans being equally soft-spoken. Quite the contrary, Singaporeans are as outspoken and uncompromising in business deals as Westerners are. The preferred status of the Japanese is a matter of convenience instead of deep-rooted cultural values. This preference may change without prior notice if the occasion demands a Western-style approach. The communication between the Statutory Board and the joint venture, therefore, is many-stranded: exhibiting complete transparency at the front, but using short cuts to speed up processes back stage. The carefully managed cultural differences between the Japanese and European staff are fuelled by the ideology of the East–West divide through the manipulative dealings of the Singapore government.

As Dahles (2004) argues, this strategy emerges from the situational use of multiple resources that are available in Singapore's *entrepôt*-based economy. Singapore's position as business hub entails the maximization of economic, social and cultural capital in a globalizing business environment (Dahles, 2002). This environment provides Singaporeans with an increased access to social capital, a multiplication of their cultural repertoires, and an advanced proficiency in applying the appropriate resources to the appropriate occasion. As has been pointed out, abilities like these characterize communities, the members of which 'shift between many different paradigms with no conflict' (Hsiao, 2002: 110-1). The different codes of conduct, values and belief systems and multi-layered discourses together establish the 'matrix of cultural templates' (ibid.: 111) to which people in their own culture have access. Hence the remarkable ability of people living in culturally plural societies, such as the Singaporeans, to adopt new cultural templates or repertoires. The concept of Asian values is one such repertoire that enables 'an Asian modernity that can compete with the Western one' (Wee, 2002a: 4).

One final word of caution may be appropriate. It must be observed that we are dealing here with the State as the paymaster of the joint venture, defining power relations as unequal from the start. In a scenario in which foreign companies are being courted by the state to invest in Singapore, power relations between the Singapore government and the foreign joint venture would be more balanced and the strategic use of the concept of Asian values may be a different one. Future research will have to establish how the Asian Values discourse differs under divergent cooperative scenarios.

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Notes

- ¹ The concept of 'Westoxification' was coined by Al-e Ahmad, a prominent Iranian intellectual in the 1960s (cf. Buruma & Margalit, 2004: p.54).
- ² The total number of GLCs increased almost two-fold from 1985 (361) through 1994 (720), before turning down in the second half of the decade (to 592 in 1996) (Haggard & Low, 2002: p.316).
- ³ Cf. Ezra Vogel's Japan as Number One (1979), cited in Wee, 2002b: 140–1.
- ⁴ Both names are pseudonyms. No details are given about the exact locality where the Land Reclamation Project is situated and the work that is carried out. The researchers agreed with the management of the joint venture not to reveal the identity of the companies involved.
- ⁵ For reasons of the authors' agreement with the management of the joint venture, the name of the Statutory Board cannot be revealed here.
- ⁶ The concrete title and other details of this contract cannot be quoted as this would violate the agreement of anonymity as reached with the management of the joint venture.

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