Why Singapore?

Summary

Area: 721.5 km²

Population: 5.7 million

Urban population: 100%

Population growth rate: 1.157% change

Capital city: Singapore

Official language: English, Malay, Tamil, Mandarin Chinese

Currency: Singapore Dollar (S$)

Nominal GDP: US $372.1 billion

Real annual GDP growth: 0.7%

GDP per capita: US $65,233.9

Annual inflation rate: 0.6%

General government gross debt: 130% of GDP

Fiscal balance: 3.8% of GDP

Current account balance: 17% of GDP/US $63.1 billion

Exports of goods to UK: £2,942 million

Exports of services to UK: £3,787 million

Imports of goods from UK: £6,138 million

Imports of services from UK: £4,603 million

[Source – FCDO Economics Unit (October 2020), DIT Overseas Business Risk: Singapore]
Despite its small size, Singapore is a wealthy city-state. Its open, trade-driven economy allows it to be a global business hub, bolstered by its strategic location at the meeting point of the east and west shipping lanes.

The country has a stable government as well as a strong rule of law and an effective regulatory system. The World Bank ranks Singapore as one of the easiest places both to start and to run a business globally. Setting up a new business in Singapore can be done within a few hours.

Within the Asia-Pacific region, Singapore acts as a financial, shipping and trade centre, and the government has a pro-business economic and trade policy.

There are already over 4,000 British companies operating in Singapore, with over 45,000 British residents living there.

[Source – DIT: Doing business in Singapore: Singapore trade and export guide]

Geography

Singapore is a city-state in Southeast Asia that lies between Malaysia to the north and Indonesia to the south. The Singapore Strait runs south of the city-state, and the Johor Strait runs between Peninsular Malaysia and Singapore.

The country is small in size, with an area of 721.5 km² and an urban population of 100%. This urbanisation has meant that the country is now a city-state. Due to this urbanisation, there is very little vegetation, with only two rainforests (Bukit Timah Nature Reserve and the Singapore Botanical Gardens' Jungle) with a few thousand acres between them.

The country comprises of mainland Singapore alongside over 60 additional islands and islets, including Sentosa, a popular tourist destination; the artificial Jurong Island; and Pulau Ubin, home to some of the last remaining rural land in Singapore.

Singapore witnesses high temperatures all year round due to the city-state’s close proximity to the equator. It lies in the equatorial monsoon region of Southeast Asia. These monsoons cause significant rainfall. Most of the rainfall occurs during November to March, alongside strong winds. May to September sees the least rainfall, especially in July.

[Source – National Parks Board (NParks) Singapore]
A prosperous island state, home to one of the most significant ports in the world, Singapore is known as a business hub for wider Southeast Asia. Its 5.7 million-strong population is diverse, with around 74% being Chinese, 13% Malay and 9% Indian. Only 3.3 million — or 61% of the country’s population — are citizens, the remainder consists of foreign workers and residents.

Singapore gained independence from the UK in 1963 as part of Malaysia. In 1965 the country separated from Malaysia, but remains a Republic within the Commonwealth.

Singapore has consistently been politically stable, especially in comparison to its regional neighbours. Its parliamentary system is a modified version of that of Westminster. There is a limit of five years in place for how long each parliament may sit.

The most recent election in Singapore took place on 11th September 2015, with the People’s Opposition Party (PAP) winning the majority of seats, as it has since 1959. PAP currently holds 83 of the 87 elected seats in Singapore’s Parliament, and is predominantly challenged by the Workers’ Party, the largest opposition party.

Presidential elections are held every six years in Singapore, the most recent being in September 2017. On 14th September 2017, Halimah Yacob was inaugurated as the first female president of Singapore.
The President of Singapore has a small number of limited powers, although the position is predominantly ceremonial.

Local governments are not directly elected. There is a system of town councils and regional mayors.

[Source – DIT Overseas Business Risk: Singapore]

Economic overview

Singapore’s economy is small and open, similar to that of Hong Kong. The country’s GDP per capita of over US $65,000 makes it one of the wealthiest economies in Asia. It also has one of the highest population densities in the world — 5.7 million people inhabit an area slightly larger than the Isle of Man. One-third of the population consists of foreign workers and residents.

Singapore’s economy can be quite vulnerable to external factors due to its open and trade-focussed nature. This means it can be used as a barometer for global trade. In recent years, trade has grown faster than expected, with a real annual GDP growth of 0.7% in 2020. GDP growth in 2017 of 6.3% was the fastest it has been for five years as the manufacturing and services sectors both picked up. As long as trade and economic flows stay stable, medium-term growth is expected to be steady.

There are many different sectors that participate in the Singaporean economy. Manufacturing has a one-fifth share of the economy, predominantly consisting of electronics, biomedical manufacturing, engineering and chemicals. Singapore is the third-largest oil refining centre in the world. The country is also a major regional hub for shipping, logistics, air transport and financial services.

Over two-thirds of Singapore’s GDP comes from the services sector, with the country ranking as the 4th global financial centre, following London, New York and Hong Kong. Financial and business services, in particular, have seen strong growth, and Singapore is a fast-growing insurance and wealth management hub.

Singapore is now delivering a strategy predominantly focused on maintaining an economically competitive environment. ‘Future economy’ prioritises helping SMEs to scale up, internationalise and digitise in order to improve their global connectivity; and investing in building new and deeper sets of skills to help with job flexibility. Healthcare, education and infrastructure spending will also be increased going forward to reduce levels of inequality.

For up-to-date information, please visit Singapore Department of Statistics at: https://www.singstat.gov.sg/, the Ministry of Trade and Industry website: https://www.mti.gov.sg, or the Monetary Authority of Singapore at: https://www.mas.gov.sg/
Human rights

You must obtain a police permit if you intend to hold a public assembly or procession, and you must also gain permission in order to wear or display ‘cause related’ materials, or to publicly display the flags of foreign nationals. The Ministry of Manpower will decide whether a foreign national has permission to give a talk on ‘racial, communal, religious, cause-related or political topics’. Foreign nationals are not permitted to partake in protests at Singapore’s Speaker’s Corner.

In Singapore, a punishment known as caning (being beaten with a large stick) can be handed out to men who commit non-violent crimes, such as graffiti or immigration-related offences. The death penalty can be given for murder, drug trafficking, kidnapping or firearm offences.

Homosexual acts between men are illegal in Singapore, although in 2007 the then Prime Minster declared that ‘the Government does not act as moral policemen’ so ‘we do not proactively enforce’ the law on this issue. Openly gay and lesbian venues and groups exist. It can be difficult for same-sex couples to obtain dependant visas.

It is up to employers to decide whether they will grant foreign domestic workers a day off, and the workers may agree to forgo these days off and suffer poor working conditions in order to pay off debts they owe to placement agencies. UK companies should follow local laws when employing migrant workers, but ensure that they are considering their own ethical obligations and internal company policy in order to maintain good employment practice.

International relations

Singapore is a founding member of the Association of Southeast Asian Nations (ASEAN), as well as being a member of the Commonwealth of Nations, the United Nations and the Forum of Small States (FOSS). The country also participates in the Asia-Pacific Economic Cooperation (APEC) forum and the Asia-Europe Meeting (ASEM). Singapore is a leading member of the Global Governance Group, comprised of members outside of the G20, and has attended G20 meetings to represent this group.
Singapore has a good relationship with its neighbours, and advocates for ASEAN unity, including ASEAN economic integration, in particular through the ASEAN Economic Community, launched in 2015 to aid Southeast Asian economic and trade integration.

[Source – DIT Overseas Business Risk: Singapore]

**Strengths of the Singapore market**

Strengths of the Singapore market include:

- 50% of the world's population are within a six hour flight distance
- it possesses Asia’s only AAA credit rating from all three agencies
- the local population is highly skilled and well educated
- it is the world’s fourth-largest financial centre
- it has Asia’s strongest Intellectual Property protection
- infrastructure and transport connectivity is highly efficient
- low levels of corruption are coupled with a strong rule of law

[Source – DIT: Doing business in Singapore: Singapore trade and export guide]

**Growth potential**

Singapore’s economy is an excellent indicator of global trade due to its open nature. GDP growth in 2018 was 3.1%. The International Monetary Fund predicts that this will fall to 1% in 2020. Due to the persistence of challenging conditions, annual growth of between 1% and 3% is forecast for the medium term.

One-third of Singapore’s population are foreign workers and residents and the country is one of the most densely populated in the world. Singapore’s economy:

- is particularly vulnerable to external factors and shocks due to its openness
- has a GDP per capita of US $65,233.9
- is the 38th largest economy in the world

Currently, Singapore’s Government is focusing its economic policy on reducing the country’s dependence on imported labour and increasing productivity.
By moving towards knowledge-driven, high-value and creative businesses, Singapore is creating many new opportunities for UK companies.

[Source – DIT: Doing business in Singapore: Singapore trade and export guide, International Monetary Fund]

**Association of Southeast Asian Nations (ASEAN)**

ASEAN is an economic region made up of around 620 million residents. It was expected to become the fourth-largest stable market by 2020 and to add 200 million residents to the middle class in the region.

Singapore is the most developed economy in the ASEAN, making it a regional trade and financial hub.

[Source – DIT: Doing business in Singapore: Singapore trade and export guide]

**Free trade agreements and partnerships**

Singapore has 20 regional and bilateral free trade agreements (FTAs) with 32 trading partners. These cover the majority of the country’s trade. It is also a member of the Trans-Pacific Partnership.

The European (EU)-Singapore FTA is the EU’s first FTA in Southeast Asia and makes it easier for EU companies to get access to certain opportunities in government procurement and services sectors.

Currently, the UK and Singapore Governments are working together to establish a free trade agreement/trade deal, with effects that are similar to the EU-Singapore FTA. Both Governments are hoping to finalise the arrangements before January 2021.

[Source – DIT: Doing business in Singapore: Singapore trade and export guide]

**World rankings**

In addition:


- Singapore ranks 2nd out of 190 countries in the World Bank’s 2020 Ease of Doing Business Index (the UK ranks 8th): https://www.doingbusiness.org/en/data/exploreeconomies/singapore

- Singapore ranks 1st out of 180 countries in the Heritage Foundation’s 2020 Index of Economic Freedom (the UK ranks 7th): https://www.heritage.org/index/country/singapore

Trade between the UK and Singapore

Singapore is one of the only countries with which the UK has a trade surplus and is one of their largest trading partners in Asia.

In 2020, the UK imported £2,942 million worth of Singaporean goods. Globally, in 2019, the top ten exports from Singapore to the UK included:

- electrical machinery, equipment
- machinery including computers
- mineral fuels including oil
- optical, technical, medical apparatus
- gems, precious metals
- plastics, plastic articles
- organic chemicals
- perfumes, cosmetics
- pharmaceuticals
- aircraft, spacecraft

You can read more about what Singapore exports at World’s Top Exports: http://www.worldstopexports.com/singapores-top-exports/. The International Trade Centre (ITC) ranks the value of Singapore’s top services exports: http://www.intracen.org/.

Many large UK companies operate from Singapore, especially because it is an excellent gateway into the whole region. These include Barclays, BP, GSK, HSBC, PWC, Rolls-Royce, Standard Chartered, Shell, Tate and Lyle, and Unilever. [Source –
Benefits for UK businesses exporting to Singapore

Benefits for UK businesses exporting to Singapore include:

- free flowing goods and capital
- UK products and services are attractive due to the exchange rates
- Singapore is the UK’s largest trade partner in Southeast Asia
- business and legal practices, as well as technical standards, are similar to those in the UK
- strong historical ties and share a common language
- it is close to major Asia-Pacific economies

[Source – DIT: Doing business in Singapore: Singapore trade and export guide]
Law

Case Study

Design, Project Management & Master Planning

School

Insurance

Office Solutions/Co-working Space

Banking/Financial Services
Contact IMA
International Market Advisor
IMA House
41A Spring Gardens
Buxton
Derbyshire
SK17 6BJ
United Kingdom
Email: info@ima.uk.com
General enquiries switchboard:+44 (0) 1298 79562
Website: www.DoingBusinessGuide.co.uk