

# Background



Singapore is a small but wealthy city-state, occupying a strategically vital location at the southernmost tip of Peninsular Malaysia, where major sea lanes between east and west converge. Singapore's historic role as an entrepôt and trans-shipment centre for the region has traditionally created opportunities across a broad spectrum of sectors. This globally connected, multi-cultural and cosmopolitan city-state offers a conducive business environment, especially to creative and knowledge-driven businesses.

Singapore is a model of economic development becoming an advanced, modern economy ranking 3rd globally in terms of GDP per capita. From independence in 1965, it achieved almost uninterrupted growth averaging nearly 8% per annum for over three decades. By the 1990s, it had GDP per capita levels similar to many OECD countries and was acknowledged widely as one of Asia's 'tigers'. The contrast between Singapore and some of its regional neighbours is all the more striking given its size and lack of natural resources. Singapore is totally reliant on human capital and has a workforce of 3.4 million. Foreign companies and workers contribute about 50% to GDP.

However, given the openness of its economy, Singapore is particularly vulnerable to external shocks and was the first country in Asia to fall into recession in 2008. Although it was affected by the economic crisis and the slump in global demand hitting the export-dependent manufacturing industry particularly hard, Singapore's economy made a remarkable recovery in 2009, helped by a "Resilience Package" of S\$20.5 billion (£10 billion). After a record 14.8% expansion in 2010, the economy grew at a more moderated rate of 5.2% in 2011 and with the worldwide downturn continuing, 1.3% in 2012.

Year-on-year, the economy advanced 2.1% in the second quarter of 2014, slowing from a revised 4.7% increase in the previous two months.

*Source: UKTI and Trading Economics*

### Strengths of the market

Singapore is a small, but wealthy city-state with an open and trade-driven economy. It's a leading global business hub, located where the major east and west shipping lanes converge.

Singapore has a stable government, strong rule of law and effective regulatory system. It is ranked by the World Bank as the easiest place in the world to start, run and do business. You can set up a new business in a matter of hours.

It is a financial, shipping and trade hub for the Asia Pacific region, and the government has a pro-business economic and trade policy.

Over 1,000 British companies have a presence in Singapore, and 30,000 British residents live there.

Benefits to British businesses exporting to Singapore include:

- free flow of goods and capital
- current exchange rate makes UK products and services attractive
- common language and strong historical ties
- similar business and legal practices
- similar technical standards
- close to major Asia-Pacific economies
- UK's largest trade partner in South-East Asia

Strengths of the Singapore market include:

- 50% of the world's population within a seven hour flight
- fourth largest global financial centre
- Asia's only AAA credit rating from all three agencies
- Asia's strongest Intellectual Property (IP) protection
- highly skilled and educated local population

- low corruption and strong rule of law
- excellent infrastructure and transport connectivity

### Growth potential

Singapore's Gross Domestic Product (GDP) was the 36th largest globally in 2012. Its GDP per head of over US\$52,000 is higher than many Organisation for Economic Co-operation and Development (OECD) countries, including the UK.

As one of the world's most open economies Singapore is a barometer for global trade. After growth of 1.9% in 2012, Singapore's economy picked up in 2013 with 4.1% GDP growth. Year-on-year, the economy advanced 2.1% in the second quarter of 2014, slowing from a revised 4.7% increase in the previous two months. However, as global demand improves, the economy is expected to grow by 3 to 4% annually over the medium term.

Singapore is currently restructuring its economy to reduce its dependence on imported labour by improving productivity. This shift towards developing knowledge-driven, high-value and creative businesses offers huge opportunities for UK businesses with expertise in these areas.

### Opportunities in Singapore

There are opportunities for British exports in almost all commercial sectors, in particular:

- Advanced Engineering (Aerospace, Marine, Construction)
- Biomedical Sciences / Healthcare
- Creative Industries / Arts & Entertainment
- Education and Training
- Environment
- Financial Services (4th global financial centre)
- High-end manufacturing (electronics, pharmaceuticals, chemicals, bio-technology)
- Infrastructure Development
- Oil & Gas

- R & D
- Leisure / Sports / Tourism / Tourism-related services

## ASEAN

ASEAN (Association of South East Asian Nations) is an increasingly important economic region of 600 million residents and is considerably larger than the European Union (EU). It is predicted that the ASEAN economy will become the fourth largest single market by 2030. An additional 300 million residents from the region will also enter the middle class.

As its most developed economy and regional trade hub, Singapore is a natural starting point and gateway into the ASEAN region. Many of the UK's largest companies operate their regional businesses from here. They include Barclays, BP, GSK, HSBC, Rolls-Royce, Standard Chartered, Shell, Tate & Lyle and Unilever.

## Free Trade Agreements

Singapore has 20 regional and bilateral Free Trade Agreements (FTAs) with 31 trading partners, covering the majority of its trade. The EU-Singapore FTA was the EU's first in South East Asia. It was signed in September 2013 and is expected to be ratified in 2015, generating further opportunities for UK companies.

The UK-Singapore Economic and Business Partnership (EBP) was signed in October 2011. It aims to create a platform for a more strategic and regular dialogue. Under the agreement, both governments have committed to taking forward collaboration in three main areas:

- business cooperation
- research and development (R&D) cooperation
- policy exchange

A top UK priority under the EBP is third country collaboration, including partnering with Singaporean firms in China's regional cities (see IMA's guide to Doing Business in China: [www.china.doingbusinessguide.co.uk](http://www.china.doingbusinessguide.co.uk) for more information on China's regional cities). There is also a sectoral focus on smart cities, aerospace and education.

## Trade between UK and Singapore

Singapore accounts for half of UK exports to ASEAN, although much will be re-exported elsewhere.

The top ten exports from UK to Singapore in 2012 by value were:

- 1) Power generating machinery and equipment.
- 2) Business services.
- 3) Financial services.
- 4) Transportation services.
- 5) Food and beverages.
- 6) Road vehicles.
- 7) Other industrial machinery and parts.
- 8) Travel services.
- 9) Professional and scientific instruments.
- 10) Miscellaneous manufactured articles.

Singapore is one of the few countries with which the UK runs a trade surplus in goods. This expanded to a record £1.7 billion in 2013 despite a fall in UK exports.

The UK is the third largest source of foreign direct investment (FDI) into Singapore, after the US and the Netherlands. UK investments were over £24 billion at the end of 2012.

Three quarters of Singapore's FDI into the EU goes to the UK, including some significant investments in infrastructure.

Trade statistics – top ten UK Exports to Singapore in 2012

### **Description**

### **£million**

Power generating machinery and equipment

1,686

## Beverages

369

## Road vehicles (including air-cushion vehicles)

230

## General industrial machinery & equipment

227

## Professional, scientific & controlling ins & app

211

## Miscellaneous manufactured articles

198

## Medicinal & pharmaceutical products

163

## Electrical machinery, app & appliances

140

## Other transport equipment

108

## Population

Singapore is a multinational city-state with a diverse population of 5.3 million, consisting mainly of Chinese (74%), Malays (13%) and Indians (9%). Singapore has no natural resources and is dependent on its human capital. Non-residents make up about 1.39 million of the population which includes around 32,000 British residents. Population density is amongst the highest in the world at around 7,257 per km<sup>2</sup>, with home ownership high at 88.6%. In January 2013, the Government announced a population white paper: [www.nptd.gov.sg/content/NPTD/news/\\_jcr\\_content/par\\_content/download\\_98/file.res/population-white-paper.pdf](http://www.nptd.gov.sg/content/NPTD/news/_jcr_content/par_content/download_98/file.res/population-white-paper.pdf) including proposals for a high quality living environment for all Singaporeans, and key measures in the 2013 budget aimed at

reducing its heavy dependence on foreign workers, while encouraging companies to raise productivity.

## Political Overview

Singapore is a republic within the Commonwealth. It has an elected President. The People's Action Party (PAP) has governed Singapore since internal self-government in 1959. Lee Kuan Yew, who led the country since 1959, stood down as Prime Minister in 1990. He was succeeded by Goh Chok Tong, who stood down himself in 2004, to be succeeded in turn by the current Prime Minister, Lee Hsien Loong, Lee Kuan Yew's son. In the General Election in May 2011, the PAP won 81 of the 87 seats with the Workers Party (WP) gaining the rest.

## FCO Travel Advice

The FCO provides travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

For advice please visit the GOV website: [www.gov.uk/government/organisations/foreign-commonwealth-office](http://www.gov.uk/government/organisations/foreign-commonwealth-office)



## Getting here

Singapore is within easy reach of all key points in the region, as an international crossroad in South East Asia and with half of the world's population within a seven hour flight time. Upon arrival, your flight will land at Changi Airport, which is recognised as one of the best airports in the world, with over 98 airlines serving 205 cities in 60 countries. Changi Airport is located in the east of Singapore, and is 30 to 40 minutes away from the High Commission by car, depending on traffic.

Singapore is the world's 2nd busiest port. Passenger lines serve Singapore from Europe, Australia, USA, India and Hong Kong. There are about 200 shipping lines with links to over 600 ports in over 120 countries and 140,000 vessels call into Singapore annually. Travelling by road and rail is only possible when travelling from Malaysia.

It takes approximately five hours to drive by taxi or private car from Kuala Lumpur to Singapore on the North-South Highway. There are two crossings from Malaysia, the Causeway from Johor Bahru and the Tuas Link. Long-distance bus companies also operate between Singapore and Kuala Lumpur.

## Visas

You don't normally need a visa to enter Singapore for stays of up to 30 days for tourism, business discussions or social visits but you should hold a valid passport which is valid for at least six months after the date of entering Singapore.

## Your stay

Getting around Singapore is effortless: the public transportation system is amongst the best in the world with the air conditioned Mass Rapid Transport (MRT) system and an extensive network of buses operating throughout Singapore. Taxis are reasonably priced. Very few visitors rent cars. The Singapore Tourism Board website [www.stb.gov.sg](http://www.stb.gov.sg) and the public transport web page [www.publictransport.sg](http://www.publictransport.sg) provide further information to help you plan your trip.

Singapore has strict laws against littering, which is subject to fines of between S\$1,000 to S\$2,000 and a stint of corrective work order cleaning in a public place for repeat offenders. The import, sale and possession of chewing gum is prohibited in Singapore.

Eating and food in general is a large part of Singaporean culture with a large range of choice from around the globe. Eating in "Hawker markets" and food courts is generally good and cheap. However, in air conditioned restaurants and bars you can expect to pay upwards of £10.00 for a main dish and £6.00 for a pint of beer.

Source – UKTI

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## Case Study



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