Media Coverage

Staying astute and agile key to sustaining Singapore's economy

Singapore's openness to anticipate and adapt to changing global economic circumstances has been the key to its success and is what will sustain its future

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It's like having a birthday and no one brings a present!

Singapore's 51st National Day arrives amidst sustained falls in global trade, investment and commodity prices, economic slow-down in China and Japan and a creeping mood of protectionism epitomised by Brexit.

Whilst Singapore has not been immune to these external gyrations, as seen by its 2016 moderation in trade, manufacturing and property activity, its economic resilience has continued.

This is not a coincidence.

Located at the crossroads of the east-west trading routes, Singapore's initial success was largely attributed to its strategic geographical location and entrepôt trade.

However, geographic fortune can only take a country so far and the early foresight to liberalise its trade and investment borders has ensured Singapore's regional significance continues to grow.

Today, there are roughly 7,000 multinational corporations who have set up here, with more than half using Singapore as their regional headquarters.

Despite dislocations in other parts of the world, the region still ticks along.

Foreign direct investment into ASEAN hit US$136 billion in 2014, surpassing China, while the region's exports are forecast to hit US$2.8 trillion by 2025, making it the world's fastest-growing trade bloc.

The prevailing optimism is further buoyed by the progression of the ASEAN Economic Community (AEC) which represents a larger potential consumer opportunity to global businesses than that available in either the European Union or via the North American Free Trade Agreement.

Now six months on from its formation, the AEC continues its path to creating a single market and production base across Southeast Asia.

Singapore's role as the financial hub for international companies wanting to tap South-east Asia is well understood and its position remains strong.

Broader policy reform has also clicked into gear since this time last year.

The sustained global trade and investment rut has been the impetus for the signing – or imminent signing – of several trade pacts including the Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership and the World Trade Organisation's upgrade of its 1997 IT Agreement (ITA2).

These various policy reforms map out a new playbook for international trade and investment, one which could easily extend the political deliberations required ahead of full ratification by the governments of each of the various deals' signatories.

Whilst varied in spread and focus, the one constant amongst all of these trade agreements is Singapore's involvement.

Unfortunately, the agreements have also arrived at a time when protectionist leanings, across a number of countries, have emerged which carry the risk of them being delayed by several years.

This is bad news for businesses already facing stiffening global economic headwinds. The good news is that Singapore is essentially trade and investment-ready.

It has zero trade tariffs and very few restrictions on foreign direct investment. Meanwhile its business-friendly reputation makes it the obvious location for global companies to continue with their regional plans, regardless of policy delays.

Beyond trade and investment liberalisation, Singapore's desire to control its own destiny can also be seen through its efforts to expand its credentials as a 'Smart Nation' over the past year.

Singapore is a popular choice for IT companies seeking a base for expansion in South-east Asia.

Already the world's most wired country with globally-recognised intellectual property protection, Singapore's Smart Nation aspirations align well with many international companies' digital or innovation focus.

Indeed, the American Chamber of Commerce's 2016 Business Survey has found that 86% of US businesses expect to increase their level of trade and investment into ASEAN over the next five years, with the AEC's formation being a key driver. The report also found that ICT companies are favouring Singapore and Malaysia for their investment.

Its position has been solidified by the Monetary Authority of Singapore's efforts to nurture and harness the full potential of the financial technology (fintech) sector by actively engaging fintech firms, introducing a regulatory sandbox approach and promoting greater inter-operability across data systems.

The regulator announced last year that it will commit S$225 million over the following five years under the Financial Sector Technology & Innovation (FSTI) scheme to help create a vibrant ecosystem for innovation, as well as the formation of a new Financial Technology & Innovation Group (FTIG) within its organisation structure that will be responsible for regulatory policies and development strategies to facilitate the use of technology and innovation in the financial sector.

Singapore's appeal to internationalising companies also extends firmly into infrastructure.

HSBC research estimates that US$2.1 trillion of infrastructure spending will be required across ASEAN by 2030, including in Singapore.

This could be further augmented by China's Belt and Road Initiative (BRI) – the ambitious plan unveiled in 2013 by President Xi Jinping to link 60 economies in Asia, Europe, the Middle East and Africa that could see some US$4-$8 trillion spent on infrastructure projects over an extended period.

The BRI is designed to develop stronger economic ties between China and the nations that sit along the former Silk Road trading routes of ancient times.

China has directly invested some US$14.8 billion in 49 countries as part of the BRI plan in 2015 and Singapore was one of the larger beneficiaries.

The huge amounts of infrastructure spending will also generate business opportunities in sectors such as transportation, construction and energy – industries in which Singapore has a world class reputation and ones which many global companies leverage in this region.

The evidence of what can be achieved through cooperation with various countries, even as the trade and investment dynamics change, shines through.

All this underscores how successful Singapore has been through 51 years of being astute and agile in evolving with business needs – and how important this adaptability could be to sustain the health of its future economy.