SINGAPORE

What’s happening in this economy

Singapore is a regional commercial and trading hub. It has sophisticated financial markets, strong rule of law, a well-regulated economy and a highly educated population. With extensive transport links into the region, Singapore acts as a conduit for much of the region’s flows of goods, services, investment, people and—increasingly—ideas.

These conditions have attracted a growing number of multinational corporations to headquarter their Southeast Asia and Asia–Pacific operations out of Singapore, bringing foreign direct investment, intellectual property, and a strong pool of human capital to the economy.

Singapore faces opportunities and challenges. Its position as a regional crossroad between China, India and the broader ASEAN region is expected to provide continued opportunities to develop and grow its economy. Yet technological disruption, rising economic protectionism, changing financial markets and the emergence of alternative regional hubs pose challenges to Singapore’s continued economic success.

Domestically, the increasing burdens of an ageing society and slowing population growth, rising input costs and the challenges of increasing productivity and innovation are all testing the viability of Singapore’s economic model.

The Singaporean Government is responding to these challenges. In an effort to move away from an over-reliance on manufacturing—and propel the country to the leading ranks in technology innovation and enterprise—the government has launched a five-year SGD 4.5 billion economic transformation program. This is designed to increase investment in public infrastructure, technology-driven innovation and skills development across 23 sectors.

The government has also embarked on its SkillsFuture program to drive the country’s next phase of economic development towards a digitalised economy. It will spend an average of over SGD 1 billion a year from 2018 to 2020 on developing and upgrading skills across its entire workforce, particularly in science, innovation and technology, cyber security and data management.

The government has also put in place a Smart Nation initiative to harness information and communications technologies, networks and big data, and to create tech-enabled solutions that address urban challenges. Among its key national projects are national digital identity, e-payments, smart nation sensor platform, and smart urban mobility.

The government is also seeking to finalise outstanding free trade agreement (FTA) negotiations, such as the Regional Comprehensive Economic Partnership and the Pacific Alliance, and to ratify concluded FTAs, such as the Singapore–EU FTA. The Comprehensive and Progressive Trans-Pacific Partnership Agreement has been
ratified. Amidst global and regional economic uncertainty, these agreements will lock in access to foreign markets for Singapore’s goods, services, investment and people.

Trade, investment, and commercial opportunities and activities

- Singapore’s role as a multinational cooperation, financial, logistics and professional services hub for the region means it is an important place to build and facilitate Australian business engagement in the region.

- The 2015 Comprehensive Strategic Partnership (CSP) underpins Australia’s significant economic relationship with Singapore:
  - total two-way trade was AUD 32.2 billion in 2018 with AUD 21.4 billion in goods trade (exports – natural gas, crude petroleum; imports – refined petroleum) and AUD 10.8 billion in services trade
  - Singapore is our largest two-way trading partner in ASEAN, and fifth largest trading partner overall (after China, Japan, the US and ROK), and
  - Singapore is Australia’s sixth largest services exports market behind China, the US, India, the UK and New Zealand at AUD 5.1 billion.

- Singapore’s foreign direct investment in Australia was AUD 28.0 billion (2.9 per cent of total) in 2018:
  - Singapore’s total investment stock amounted to over AUD 85 billion, and
  - Singapore was the seventh largest foreign investor in Australian agricultural land at 1.8 million hectares (4.9 per cent of foreign-owned land) (2016–17).

- Singapore’s two sovereign wealth funds, Temasek Holdings and Government of Singapore Investment Corporation (GIC), maintain a diversified and high level of interest in Australia:
  - Temasek and GIC are heavily concentrated in the property sector, with hotels and tourism investment high on the agenda
  - Singapore is also making considerable investments in the food and agriculture sectors, and
  - recent investments include major projects in the renewables sector, e-commerce platforms, health and other technology-based businesses.

- Financial services and fintech, defence, education, future cities, health and medtech, food and agritech, and cyber security all provide trade, investment and commercial opportunities for Australia.

- Singapore’s developed financial markets, deep pools of capital and effective regulatory environment present opportunities for financial services and fintech firms:
  - there are opportunities in mobile payments, AI, cyber security, data for KYC, API solutions, blockchain and lending platforms, and
  - Singapore’s regulatory environment provides a test bed for development and cross-fertilisation of ideas, products and services for fintech firms. This has also led to opportunities in regtech and insurtech.

- The defence export strategy and CSP defence initiative provides an opportunity to deepen Australia’s defence trading relationship with Singapore:
− the Singapore Government spends about SGD 15 billion a year (3.4 per cent of GDP) on defence, with recent focus on technology, communications, cyber, capital acquisition, upgrade programs and training, and
− Australia’s capabilities in naval shipbuilding and land systems are well placed to collaborate with Singapore.

• Education—with an annual budget of SGD 12.8 billion—is one of the most important sectors for Singapore’s government:
  − as Singapore’s industries transform and react to technological disruption, a highly skilled workforce is crucial to remain economically competitive, and
  − opportunities for Australian education providers centre on technological skills, graduate employability, research and development, edtech and commercialisation of research and innovation.

• Singapore is seeking green building and Smart City expertise and solutions, with a focus on universal design, sustainability (green building/precinct/infrastructure) and smart engineering (enhancing construction productivity) across the entire supply chain:
  − Singapore’s Building and Construction Authority has announced plans to build 10 integrated construction and prefabrication hubs to boost supply capabilities and capacity by 2020, and
  − with developed capabilities in these sectors, there are opportunities in Singapore for Australian building, design, infrastructure and engineering sectors.

• Health and medtech are a major focus as Singapore’s population ages:
  − there are opportunities in e-health solutions and services for aged care in the areas of:
    ▪ in-home and community monitoring
    ▪ home care tech platforms that seamlessly integrate with external systems
    ▪ data analytics to provided holistic and personalised care, and
    ▪ user interfaces for information dissemination.
  − Singapore believes Australia has strong capabilities in aged and health care services, medtech and biotech, as well as clinical trials and targeted, skills-based training and research in niche ‘borderless’ education and institutional research.

• Singapore imports 90 per cent of its food. To strengthen food security, the government has announced it will develop the capability and capacity of its agri-food industry to produce or have direct management of 30 per cent of Singapore’s nutritional needs locally by 2030. Opportunities in food and agritech include:
  − a desire for diverse food supplies, especially for innovative, high quality, well priced and good tasting, clean ‘green’ products as well as healthy snacks and alternative proteins
  − Singaporeans are prepared to invest to manage food security risks, and
  − despite its small domestic market, Singapore also provides opportunities for e-commerce and to expand logistics and transhipment arrangements to ASEAN for Australian food and agritech companies.
As a highly connected services hub, Singapore is focused on cyber security education and training, software, solutions and hardware:

- there are specific opportunities in identity and access management, endpoint and cloud security, threat and vulnerability management, SACDA, incident response, forensics, critical information infrastructure, AI/data and protection, and blockchain, and
- Singapore views Australia’s cyber capabilities favourably, particularly in education and training.

Singapore wants to expand the use of hydrogen fuel. This cleaner energy source will help the country reduce emissions and combat climate change:

- a study is underway to assess the feasibility of importing hydrogen for downstream uses, ranging from vehicle fuelling to power generation.

Singapore is the hub for ASEAN’s technology and innovation ecosystem with more than 5,000 tech start-ups, 100 local and global incubators, accelerators and venture builders, and over 150 venture capital firms:

- in 2018, start-ups in Singapore closed 353 financing deals worth USD 10.5 billion (SD 14.3 billion), an increase from the 160 deals worth USD 0.8 billion in 2012, and
- the Singapore Landing Pad is an ideal location for scale-ups keen to engage multinational corporations with an Asia–Pacific headquarters in Singapore or ASEAN.

Trade policy and negotiations

The Singapore–Australia Free Trade Agreement (SAFTA) entered into force on 28 July 2003, and was amended on:

- 24 February 2006
- 3 February 2007
- 11 October 2007
- 2 September 2011, and
- 1 December 2017.

The ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA):

- entered into force January 2010, and
- was amended 2015; the AANZFTA General Review is currently underway.

The Comprehensive and Progressive Trans–Pacific Partnership (CPTPP) was:

- signed 8 March 2018, and
- ratified 19 July 2018.
The Regional Comprehensive Economic Partnership (RCEP):

- commenced 20 November 2012, and
- United Nations, World Trade Organization, ASEAN and APEC negotiations are ongoing.

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