

## Singapore

### Business Conditions Snapshot

- Singapore is a regional business capital, as well as a hub for much of the flow of goods, services, investment and ideas in Southeast Asia. It boasts extensive infrastructure, finance and trade links with ASEAN, as well as China and the Indian subcontinent. It has sophisticated financial markets, strong rule of law, a highly educated population, and is highly regarded for ease of doing business.
- These conditions have attracted a growing number of multinational corporations to headquarter their Southeast Asia and Asia–Pacific operations in Singapore, bringing foreign direct investment, intellectual property, and a strong pool of human capital.
- Yet despite its history of economic success, Singapore faces several challenges. The COVID-19 pandemic has fuelled economic protectionism, drastically reduced regional travel and heightened the risk of supply chain shifts that may impact on Singapore’s hub status. Singapore’s open economy is also sensitive to trade tensions between the United States and China.
- Singapore’s domestic challenges include an ageing society, slowing population growth, and low productivity gains.
- However, Singapore is well-positioned to respond. Its effective use of fiscal stimulus – providing nearly 20 per cent of GDP – helped offset the economic disruption caused by the pandemic. And it is well-placed to deliver further support if needed. Singapore has used this stimulus in part to accelerate structural shifts towards emerging industries – including deep tech, advanced manufacturing, data management and cybersecurity. Other stimulus programs support growth in productivity-enhancing digital skills and technology uptake. These complement the whole-of-society Smart Nation initiative, which aims to harness information and communications technologies to drive economic growth and boost productivity.
- Sustainability is another priority for Singapore. The city-state is beginning to focus on supporting emerging low carbon industries and new energy sources. It is exploring sustainable energy solutions, such as solar and hydrogen energy, and is positioning itself as a leader in the region’s developing sustainable energy market. Relying heavily on agricultural imports, Singapore is aiming to provide 30 per cent of its nutritional needs by 2030 by boosting domestic production.

#### Key facts and figures

- Population: 5.6 million (2018)
- GDP growth: 0.5% (2019)
- GDP per capita: US\$63,987
- Political system: Parliamentary representative democratic republic
- Two-way trade: A\$32.69 billion (2018–19)
- Key goods and services traded: Natural gas, crude and refined petroleum, gold, edible products and preparations, computers
- Two-way investment: A\$158.1 billion (2018)
- Major investments: property, hotels and tourism, and food and agriculture
- Aid relationship: none



- Singapore is a strong and active member of the multilateral trading system. Its small domestic market and lack of natural resources means its economy depends on access to international markets for goods, capital and labour. In 2020 Singapore and Australia – along with others – signed the Regional Comprehensive Economic Partnership, the world’s largest trade deal by contribution to global output, as well as the cutting-edge Australia–Singapore Digital Economy Agreement. Singapore has also ratified the Comprehensive and Progressive Trans-Pacific Partnership and is an active member of the ASEAN–Australian–New Zealand Free Trade Agreement.

## Trade and investment opportunities

- Singapore’s role as a regional economic capital makes it an important place to build and facilitate Australian business engagement in Southeast Asia. The 2015 Comprehensive Strategic Partnership underpins Australia’s significant economic relationship with Singapore.
  - Total two-way trade was A\$33.3 billion in 2019 (exports – natural gas and crude petroleum; imports – refined petroleum).
  - Singapore is Australia’s largest two-way trading partner in ASEAN, and sixth largest trading partner overall (after China, Japan, the US, the Republic of Korea and the UK).
  - Singapore is Australia’s seventh largest export market for our goods and services, at A\$16.9 billion in 2019.
- Singapore’s foreign direct investment in Australia was A\$36.1 billion (3.5 per cent of total) in 2019.
  - Singapore’s total investment stock in Australia amounted to A\$99.9 billion in 2019.
  - Singapore was the seventh largest foreign investor in Australian agricultural land at 1.8 million hectares (4.9 per cent of foreign-owned land) in 2016–17.
  - Singapore’s two sovereign wealth funds—Temasek Holdings and Government of Singapore Investment Corporation (GIC)—account for a substantial portion of the city-state’s global investment footprint. Both maintain a high level of interest in Australia, with a heavy concentration in the property sector. GIC recently increased its investment in e-commerce, logistics, data centres, fintech, and health-tech, and has also expressed an interest in infrastructure and energy.
- Several sectors of Singapore’s economy present trade, investment, and commercial opportunities for Australian businesses.
- Singapore imports over 90 per cent of its food. The government has announced it will develop its agri-food industry to produce or have direct management of 30 per cent of the country’s nutritional needs by 2030. With the pandemic pressuring



supply chains, Singapore has recently fast-tracked efforts to increase production and diversify imports.

- Opportunities for Australian businesses include responding to demand for tech solutions that help Singapore—which has very little agricultural land—to produce food efficiently.
- The market has shown a desire for innovative, high quality, and well-priced ‘green’ products, as well as functional foods, healthy snacks and alternative proteins.
- Singapore also provides opportunities for food suppliers to enter via e-commerce, and to expand logistics and transshipment arrangements to ASEAN.
- Singapore has substantial interest in hydrogen technologies, carbon capture and storage (CCUS). It imports renewable energy generated offshore. These will be necessary for the city-state to reduce emissions in its power generation, heavy industry and transport sectors.
  - Singapore has high regard for Australia’s growing capabilities in hydrogen and carbon capture, use and storage (CCUS).
  - On 26 October 2020 Singapore and Australia signed a memorandum of understanding to cooperate on developing and deploying these and other low emissions technologies.
  - Singapore has commenced studies assessing the feasibility of importing hydrogen for domestic use, and in establishing the city-state as a regional green energy hub.
- Singapore is ASEAN’s largest technology and innovation centre, with more than 5,000 tech start-ups, 100 incubators, accelerators and venture builders, and more than 150 venture capital firms.
  - From January to September 2019, local start-ups closed more than 430 deals worth around US\$10.2 billion – an increase of more than 20 per cent from 2018.
  - The Austrade Singapore Landing Pad is an ideal location for scale-ups keen to engage multinational corporations with headquarters in Singapore or ASEAN.
- Singapore is seeking sustainable building and Smart City expertise and solutions, with a focus on energy efficiency, universal design, and increasing productivity and efficiency across the supply chain.
  - Singapore’s Building and Construction Authority aims to have 80 per cent of all buildings meet its ‘Green Mark’ efficiency standard by 2030.
  - With advanced Australian capabilities in these sectors, there are opportunities in Singapore for building, design, infrastructure and engineering firms.



- The COVID-19 pandemic has accelerated Singapore's focus on e-health, and medtech and biotech. Telehealth is a priority for the city-state as it seeks to address the needs of its ageing population.
  - Singapore recognises Australia's strong capabilities in aged and health care services, medtech and biotech, as well as clinical trials and targeted, skills-based training and research in 'borderless' education and institutional research.
  - There are opportunities in telehealth solutions and services for aged care including:
    - In-home and community monitoring.
    - Home care tech platforms that seamlessly integrate with external systems.
    - Data analytics to provided holistic and personalised care.
    - User interfaces for information dissemination.
- Singapore is focused on cyber security education and training, software, solutions and hardware. Singapore views Australia's cyber capabilities favourably, particularly in education and training.
  - There are specific opportunities for Australian businesses in identity and access management, endpoint and cloud security, threat and vulnerability management, incident response, forensics, critical information infrastructure, AI, data and protection, and blockchain.
  - Singapore's developed financial markets, deep pools of capital, supportive regulatory settings, and generous government incentives present opportunities for financial services and fintech firms.
  - There are opportunities in AI, cyber security, data for KYC, blockchain, small business finance, regtech and insurtech and – increasingly – green finance.
  - Australian superannuation funds are beginning to show interest in exploring investment opportunities in a range of sectors, both in Singapore and Southeast Asia.
  - Singapore is an attractive platform for fintechs seeking to expand into Southeast Asia's burgeoning fintech markets. Payments and remittance technologies offer the largest opportunities in the region.
- The defence export strategy, CSP and 30 year Australia–Singapore Military Training Initiative (ASMTI) provide opportunities to deepen Australia's defence trading relationship with Singapore.
  - The Singapore Government spends about SGD 15 billion a year (3 per cent of GDP) on defence. Its recent focus has been on technology, communications, cyber, capital acquisition, upgrade programs and training.
  - Australia's capabilities in naval shipbuilding and land systems are well placed to collaborate with Singapore.



- Education—with an annual budget of around SGD 13 billion—is a focus for Singapore’s government.
  - Singapore has rolled out a wide range of programs to ensure its workforce remains highly skilled, as industries transform in response to both the pandemic and longer-term disruption.
  - Opportunities for Australian education providers centre on technological skills, graduate employability, research and development, edtech, and commercialisation of research and innovation.
- Singapore’s government supports several major conferences and trade shows, all of which rely on a strong international presence.
- Of note are the Singapore FinTech Festival and SWITCH week of innovation (typically staged in November), Food and Hotel Asia events (March and May), Singapore International Cyber week (October), and International Built Environment Week (September).
- COVID-19 has deferred or forced many events onto digital formats with minimal physical attendance.

## Trade policy and negotiations

- Singapore strongly supports liberal cross-border trade and investment settings. It has shown interest in entering into further FTAs with regional and global partners, with a particular focus on supporting new digital economy agreements.
- Australia and Singapore are party to a series of bilateral and multilateral FTAs.
- 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
  - 1 December 2017.
- On 6 August 2020 Singapore and Australia signed the Singapore–Australia Digital Economy Agreement – a pioneering FTA focused exclusively on digital trade. This will further amend the SAFTA e-Commerce Chapter following ratification.
- The ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA):
  - entered into force January 2010
  - was amended 2015. The AANZFTA General Review is currently underway.
- The Comprehensive and Progressive Trans–Pacific Partnership (CPTPP) was:
  - signed on 8 March 2018



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- ratified on 19 July 2018.
- The Regional Comprehensive Economic Partnership (RCEP) was signed on 15 November 2020.



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