

Pestel analysis of singapore



The flag consists of a red strip at the top and white strip on the bottom. On the red strip at the hoist, are a white crescent opening to the fly and five white stars.

Anthem:- long live Singapore

Weight and measure:-The metric system is in force, but some local measures are us

Political Aspects:-

Singapore in the late 1980s was effectively a single-party state. The ruling People's Action Party (PAP) of former Prime Minister Lee Kuna Yew has dominated the country since 1959.

Majority function of the PAP in (1961)split was to form a new party, the Socialist Front (SF), also known as the Barisan Socialis. In 1966 11 SF members resigned their seats in parliament and 2 others joined the underground opposition to the Lee government, leaving the PAP as the sole party represented in parliament. Till 1990 they were in the government with Ling How Doong and Cheo Chai Chen. The Workers' Party MP was Low Thai Kiang.

The two other seats went to J. B. Jeyaretnam (WP) and to Chiam See Tong of the Singapore Democratic Party (SDP), the two main opposition parties that are tolerated but subject to almost continual harassment by the government. For instance, in 1984, Jeyaretnam was accused of making false statements involving irregularities in the collection of WP's funds; he was acquitted of two of three charges and fined. In 1986 the government appealed the case

and the higher court set aside the initial judgment; Jeyaretnam was again fined and jailed for one month, enough to disqualify him from parliament and ban him from contesting elections for five years. On the basis of his criminal convictions he was disbarred and denied a pardon. He was refused permission to appeal against the conviction and sentence that resulted in his disqualification as an MP.

The main opposition parties are the SDP and the WP. Smaller minority parties are the United People's Front, which is also critical of antidemocratic aspects of the government rule and is pro-Malaysian; the Singapore Malays' National Organization; and the Singapore Solidarity Party, formed in 1986 by three former leaders of the SDP. There were 22 registered political parties at the beginning of 1993.

In 1997, parliamentary elections were again held and, again, the PAP maintained its virtual monopoly of seats. Of 83 seats up for election, the long-ruling party captured 81 with 47 unopposed. After the election, in a move that has been commonplace in Singapore, leaders of the PAP, including Prime Minister Goh and Senior Minister (and longtime leader) Lee sued Tang for defamation. Tang promptly fled the country, saying he feared for his safety as the government froze his assets and imposed travel restrictions on his family. Jeyaretnam continued to face bankruptcy and the loss of his parliamentary seat as well, from a defamation payment awarded against him for allegedly defaming a PAP parliamentarian and nine other members of the Tamil community in an article written by a colleague in 1995. In the 1997 elections, the SDP lost all three seats it had won in the 1991 round.

In parliamentary elections held on 3 November 2001, the PAP won 82 out of 84 seats with 75.3% of the vote. Opposition candidates contested only 29. The opposition parties complained that constituency changes and a range of regulations imposed by the PAP made it more difficult for them to win votes. The Parliamentary Elections Act was amended, curbing the use of the Internet for political campaigning and banning the publication of opinion polls during elections.

Economic development:-

Economy of Singapore is based on its role primarily and entrepot for neighbor countries. The main reason of it its strategic geographic location and the entrance to the straits of Malacca. The country did not have minerals and other primary products as oil and gases to export but it served a major economic function by transshipping and processing of goods nearby lands. The most significant resource in Singapore in deep water harbors.

In 1960 Singapore government embarked on an ambitious and largely successful program to promote industrial investment from its local market and foreign market. This was a step taken by the Singapore government to break the economic pattern. The aim of this program was to develop industrial estate and to provide industrial financing and technical services.

In the starting of 1980s Singapore built an diversified economy 1980s, Singapore had built a much stronger and diversified economy which gave it an economic importance in Southeast Asia out of proportion to its small size. In first half of the 1980s government plans to realigning industrial activities from traditional labor- incentives, low wage activities to capital intensive,

high-wage and high-technology activities, notably the electronic industries and oil refining. In 1985 Singapore's economy declined for the first time in 20 years. The reason behind declining the economy was high wages and slumping demand for oil and electronic products and the economic woes of Malaysia, which made Singaporean products less competitive on the world market.

After 1980s Singapore started to diversify its economy to make it capable to provide manufacturing, financial, and communications facilities for multinational firms. That time the one of the fastest growing sector in the economy was international banking and finance for some 25% of GDP. It ranked behind Tokyo and Hong Kong amongst financial service centers in the Southeast Asia region. In 1989 earnings from manufacturing accounted for 30% of GDP.

In the 1990s Export growth in high-technology manufactured goods signaled. Success of the country shifted to the higher value added production due to increase in productivity as par increase in labor cost. Largest share in the economy was the electronic manufacturing industry. Manufacturing was dominated by the production of computer peripherals and oil processing. Between 1992 and 1995 property prices double and reached at their peak in 1996. In the five years 1993 to 1997, GDP growth averaged 8.84%. In June 1997, GDP growth rate dropped due to revert of the Chinese rule by Hong Kong triggering the Asian financial crisis. In Singapore, GDP growth dropped to 1.5% in 1998 and residential property prices fell 40%. Singapore's sensitivity to the external economic environment, with trade running 300% of GDP, is extreme.

Singapore weathered the crisis and without a contraction in 1999 its growth had recovered to 5.4%. Driven by the world-wide boom in IT demand and robust recoveries in domestic consumption and investment, GDP growth soared to 9.9% in 2000. However, the dot.com bust in 2001 led to the economy's first yearly contraction since 1985, of 2%. Recovery of GDP in 2002 was not much rapid due to continued low export demand as the growth of the country was positive 2.2% in that year. Projections for 2003 are for only a 4.8% growth.

Other constraints on Singapore's economic performance are labor shortages, rising labor costs, and the declines of productivity-although in by the second and third quarter of 2002, gains in productivity were averaging 6.1% compared to decreases averaging 7.75% in the last half of 2001. Singapore maintains one of the most liberal trading regimes in the world, and has regularly been ranked one of the least corrupt and most competitive countries.

The government is a major and active player in the economy, owning substantial productive assets (land and capital). The government directs and targets the economy through laws, regulations and incentives, and participates in business ventures through Singapore's unique hybrid, the government-linked company (GLC).

There was no inflation in 2002, as consumer prices show mild deflation (-0.4% to -0.9%) in 2002. Unemployment rose to 4.7% in 2001, and remained above 4% throughout 2002, a high level for Singapore. Per capita income

estimate in terms of purchasing power was \$24, 700, as it was the highest in the world economy at that time.

Environmental aspects:-

Environmental responsibility is vested. An air act which maintains air quality was adopted in 1971 and amended in 1975 and 1980 by the clean air regulations. Environmental responsibility for Singapore is vested in the Ministry of the Environment and its Anti-Pollution Unit. Air pollution from transportation is the main problem in the nation's growing urban areas. In 1992, Singapore was among 50 nations with the world's highest levels of industrial carbon dioxide emissions, which totaled 49.8 million metric tons, a per capita level of 17.99 metric tons. In 1996 it rose to 65.8 million metric tons.

Water Pollution Control and Drainage Act made in 1975 and the Trade Effluent Regulations of 1976, which control water quality. Singapore does not have enough water to support the needs of its people. The nation hardly has about 0.1 cubic miles of water. 4% of it is used for farming and 51% for industrial purposes. Pollution from the nation's oil industry is also a significant problem, and its cities produce about 0.9 million tons of solid waste per year. As to solve the problem of water shortage, waste water is treated and recycled to conserve water supplies.

Singapore has lost 20 to 30% of its original mangrove area. In 2001, two plant species, six mammal species, and nine bird species were considered to be in danger of extinction. Ridley's leaf-nosed bat, Chinese egret, yellow-crested cockatoo, batagur, tigers, and the Singapore round leaf horseshoe bat are in endangered mammal species in Singapore.

Social development:-

For social development Government-provided social welfare services. They are directed by the Ministry of Community Development, which is often assisted by various voluntary organizations, most of them affiliated with the Singapore Council of Social Service. Besides institutionalized care, the Ministry of Community Development administers foster and homemaker service schemes for needy young persons.

In January 1986, the government operated 88 child care centers and three welfare homes for aged and destitute persons. Social welfare assistance is also provided by mutual-benefit organizations and voluntary services.

Employees who are earning more than \$500 per month must contribute to the Central Provident Fund, a public pension and retirement program which provides lump-sum benefits for old age, disability, death, sickness, and maternity. Retirement is at age 55. Employee contributions are based on income; employers pay 10% of monthly earnings. If employees earn less than S \$200 per month, they are exempt from contribution requirements.

There is a special system for public employees, and employers may choose a private plan if approved. Employers also fund workers' compensation benefits for job related injuries. In addition, employers are required to provide 14 days of paid sick leave and eight weeks of paid maternity leave to their employees.

Women's legal rights are equal to those of men in most areas, including civil liberties, employment, business, and education. Women comprise 42% of the labor force and are well represented in the professions. Despite the legal

principle of equal pay for equal work, women earn approximately 75% of the average male salary.

Prison conditions are considered to be good, but there are reports of the mistreatment of detainees. Caning is a common form of punishment for many different offenses. Cases of police abuse are generally investigated by the government and reported in the media. Freedom of assembly and association are restricted.

Technological development:-

Earlier 1950s, it was obvious that prospects for economic growth would be severely limited if Singapore remained bound by its old economic role as enter pot. The decision to industrialize and to do so rapidly was deliberate policy.

Initial government started economic development program was upon employment. The increasing trend toward economic self-sufficiency in neighboring Indonesia and Malaysia-and the steady retreat of the UK from defense responsibilities in the region as a whole prompted the government to focus completely on finding alternative employment for the island's highly skilled and disciplined workforce. By the end of the 1960s, this problem was effectively solved, with Singapore boasting one of the lowest unemployment rates in all of Asia.

In mid 1970s the emphasis was on labor skills and technology, as these were identified with such modern industries as machine tools, petrochemicals, electronics, and other precision work especially. A high level of participation by private foreign capital provided an important cornerstone to this

development. In 1979, the government abandoned its earlier policy of stimulating low-wage industries and adopted a policy of encouraging capital-intensive and technologically sophisticated industries.

The government of Singapore in 1980s especially target on investment promotion were computers, computer peripherals, electronic medical instruments, automotive components, specialty chemicals and pharmaceuticals, and optical and photocopying equipment. In the year 1985-86 the government concentrated on developing new markets and on turning Singapore into a manufacturing, financial, and communications center for multinational corporations as following the recession.

In the 1990s the economic development strategy emphasized both the manufacturing and service sectors and in 1961 government formed The Economic Development Board (EDB) to guide Singapore's industrialization. Early emphasis was placed on promoting investment in manufacturing.

To focus on education and human resources and to enhance export competitiveness government started The Strategic Economic Plan (SEP) in 1991. The Creative Business Program promotes investment in the film, media, and publishing, arts and entertainment, textile, fashion and design sectors. Currently the EDB works toward Singapore's vision of its future as a developed country through the promotion of business.

Singapore's globalization strategy hinges on making a transformation from a production-driven economy to an innovation-driven one. Other key elements of this strategy are the reversal of downward trends in productivity, and sustaining foreign investment in Singapore's capital investment. Singapore

<https://assignbuster.com/pestel-analysis-of-singapore/>

initiated the formation of a growth-triangle, linking Johor, Malaysia, Singapore and Indonesia's Riau province focusing on Batam Island.

Singapore benefits by tapping a supply of low-wage workers and offshore land to sustain its more labor-intensive industries.

Draw back-

The Asian financial crisis and rise in Singapore's currency were the two foremost draw backs in its in economic history. Roadblocks to further economic development include rising labor costs; which have threatened investment in Singapore's industrial sector, causing the government to implement strategies to cut costs and increase productivity. The rise of Singapore's currency has also prompted the dispersion of new industrial enterprises from the country, which the government has answered by promoting the development of high-capital industries.

The collapse of the dot. com bubble in 2001 presented a more serious challenge, particularly as subsequent events-the 11 September 2001 terrorist attacks on the United States and global uncertainties attending the confrontation with Iraq-have resulted in continued low export demand. As of 2003, the Singapore economy was set to register its second year of positive growth of 4. 8%, at that time government has not made any fundamental adjustments in its economic development strategy.

Legal and policy environment:-

Singapore government believes that the growth of electronic commerce requires transparent market favourable regulation and legislation in certain

areas. The legal regulatory and business environment required to support industry development and growth in the economy.

Singapore has introduced a number of e-commerce policy initiatives E-Commerce programme was introduced in 1996 to develop the e-commerce services. Cross border e-commerce laws and policies.

Basic legal and technical infrastructures to support secure and reliable e-commerce have been in place since 1998.

Electronic Transactions Act

Intellectual Property Rights

Amendments to the Evidence Act

Content Regulation

Tax Issues

Import and Export Procedures

Electronic transitions act

This act was made in July 1998, to enact to provide a legal foundation for electronic signatures, and gives predictability and certainty to contracts formed electronically. The ETA addresses the following issues:

Commercial code for e-commerce transactions - This act was enacted in order to create a predictable legal environment for EC and clearly define the rights and obligations of the transacting parties. It also deals with legal

aspects of electronic contracts, use of digital signatures, concerns for authentication and non-repudiation.

Use of electronic applications and licences for public sector – In order to promote a culture of use of electronic transactions in the public sector, the ETA contains an omnibus provision through which Government departments and statutory boards can accept electronic filings without mending their respective acts. It also allows public bodies to issue permits and licences electronically.

Liability of service providers – Singapore recognises the importance of service providers in providing information infrastructure and content. The government also realises the impracticality in having service providers check all content for which they merely provide access. To create a transparent legal environment conducive to the growth of service providers, the ETA specifies that service providers will not be subject to criminal or civil liability for such third- party material. The clause, however, will not affect the obligations of a network service provider under any licensing or other regulatory regime established under the law.

Intellectual Property Rights

In order to strike a balance between the protection of rights for copyright owners and increased public access to intellectual property, Singapore has ensured that its intellectual and copyright laws are harmonised with underlying principles in global IPR laws.

Amendments to the Evidence Act

The Evidence Act was amended in 1997 to allow the use of electronic records as evidence in the courts.

Computer Misuse Act-

The Computer Misuse Act defines a class of critical computer systems and provides them with greater protection. To deal with new potential abuses of computer systems, the Computer Misuse (Amendment) Bill 1998 was introduced in Parliament on 1 Jun 1998. It was passed on 29 Jun 1998 and came into force on 1 Aug 98.

The amended act takes a more sophisticated approach to provide for enhanced penalties proportionate to the different levels of potential and actual harm caused. It also addresses new potential computer abuses such as denial or interruption of computer services and unauthorised disclosure of access codes.

Tax Issues-

There are two areas of tax laws in relation to e-commerce, Income tax and Goods and Services Tax (GST).

Whether or not a company needs to pay income tax on its business activities conducted on the web very much depends on the broad principle of an operations test.

Porter's Diamond points of Singapore:-

Factor conditions:-

There are two main factors; first basis factors include natural resources, climate, location, unskilled and semiskilled labour and debt capital.

The second advance factor includes modern communications, in fracture and highly educated personnel. Since Singapore is not a developed country, due to increase in wages Singapore is investing in china and the south East Asian countries where labour is cheap.

Attraction of FDI from advanced countries will the best way to obtain access to modern technologies.

Demand conditions-

Growth rate of home demand can be more important to competitive then its absolute size. Rapid domestic growth leads to a nation's firm to adopt new technologies faster with less fear. It can be hypothesized that a higher level of education of the consumers increase demand sophistication.

The size of sophistication of demand is measured by annual growth and an education index respectively. Though Singapore is poor natural resource country, therefore only labour is considered as a determinant for the state of the factor conditions.

Related and supporting industries: –

Industries are more supporting in the case when local supporting industries are competitive and more cost effective.

As Singapore is not a developed country so there are not too much competitive MNCs in Singapore. The suppliers are also not strong global competitors

Firm strategy, structure and rivalry: –

The final determinant of a nation's competitiveness reflects the context in which firms are created, organized and managed. National advantage may result from a good match among these variables.

The successful firms of Singapore are more concerned about international rivalry than about domestic rivalry.