

A brief description of singapore



A Journey into Singapore's Past

While the earliest known historical records of Singapore are shrouded in the mists of time, a third century Chinese account describes it as “ Pu-luo-chung”, or the “ island at the end of a peninsula”. Later, the city was known as Temasek (“ Sea Town”), when the first settlements were established from AD 1298-1299.

During the 14th century, this small but strategically located island earned a new name. Legend, Sang Nila Utama, a Prince from Palembang founded a city “ The Lion City” or Singapura, from the Sanskrit words “ simha” (lion) and “ pura” (city).

At this time, the city was then ruled by the five kings of ancient Singapura. Located at the tip of the Malay Peninsula, the city served as a flourishing trading post for a wide variety of sea crafts, from Chinese junks, Indian vessels etc.

The next important period in the history of Singapore was during the 19th century, when modern Singapore was founded. At this time, Singapore was already an upcoming trading post along the Malacca Straits, and Britain realized the need for a port of call in the region. British traders needed a strategic venue to refresh and protect the merchant fleet of the growing empire, as well as forestall any advance made by the Dutch in the region.

The then Lieutenant-Governor of Bencoolen (now Bengkulu) in Sumatra, Sir Thomas Stamford Raffles landed in Singapore on 29 January 1819, after a survey of the neighboring islands. Recognizing the immense potential of the

swamp covered island, he helped negotiate a treaty with the local rulers, establishing Singapore as a trading station. Soon, the island's policy of free trade attracted merchants from all over Asia and from as far away as the US and the Middle East.

In 1832, Singapore became the centre of government for the Straits Settlements of Penang, Malacca and Singapore. With the opening of the Suez Canal in 1869 and the advent of the telegraph and steamship, Singapore's importance as a centre of the expanding trade between the East and West increased tremendously. By 1860, the thriving country had a population that had grown from a mere 150 in 1819 to 80, 792, comprising mainly Chinese, Indians and Malays.

But the peace and prosperity of the country suffered a major blow during World War II, when it was attacked by the Japanese aircrafts on 8 December 1941. Once regarded as an impregnable fortress, Singapore fell under the Japanese invasion on 15 February 1942. It remained occupied by the Japanese for the next three and half years, a time marked by great oppression and an immense loss of lives.

When the Japanese surrendered in 1945, the island was handed over to the British Military Administration, which remained in power until the dissolve of the Straits Settlement comprising Penang, Melaka and Singapore. In March 1946, Singapore became a Crown Colony.

In 1959, the growth of nationalism led to self-government, and the country's first general election. The People's Action Party (PAP) won a majority of 43 seats and Lee Kuan Yew became the first prime minister of Singapore. In

1961, Singapore joined Malaya and merged with the Federation of Malaya, Sarawak and North Borneo to form Malaysia in 1963. However, the merger proved unsuccessful, and less than two years later on 9 August 1965, Singapore left Malaysia to become an independent and sovereign democratic nation. On 22 December that year, Singapore finally became an independent republic.

Today, you can experience Singapore's rich historical heritage by visiting many of the national monuments, museums and memorials located around the city. On your trip here, remember to take a walk along one of the many heritage trails or visit the well-known landmarks for a complete Singapore journey.

ECONOMY – OVERVIEW

Singapore has a highly developed and successful free-market economy. It enjoys a remarkably open and corruption-free environment, stable prices, and a per capita GDP higher than that of most developed countries. The economy depends heavily on exports, particularly in consumer electronics, information technology products, pharmaceuticals, and on a growing financial services sector. Real GDP growth averaged 8. 6% between 2004 and 2007. The economy contracted 1. 0% in 2009 as a result of the global financial crisis, but rebounded 14. 8% in 2010 and 4. 9% in 2011, on the strength of renewed exports. Over the longer term, the government hopes to establish a new growth path that focuses on raising productivity, which has sunk to a compound annual growth rate of just 1. 8% in the last decade. Singapore has attracted major investments in pharmaceuticals and medical

technology production and will continue efforts to establish Singapore as Southeast Asia's financial and high-tech hub.

ECONOMIC SITUATION OF THE COUNTRY

Singapore is widely acknowledged as having one of the best business environments in the world – one of the world's most competitive (Institute for Management Development World Competitiveness Year book), most profitable (Business Environment Risk Intelligence Report), most transparent (Transparency International Survey), with world-class intellectual property protection and enforcement (World Economic Forum Global Competitiveness Report). The presence of many leading global companies and local enterprises here is a testimony to Singapore's excellence in manufacturing and services. There are more than 7, 000 Multi-National Corporations in Singapore now days. Singapore is an attractive and competitive manufacturing location, possessing world class capabilities in the design, development and manufacture of cutting edge products for the world. As MNCs are always looking for the most cost efficient for its investment, Singapore's high labor rate loses out to other developing countries e. g. Vietnam and China. As some manufacturers have left Singapore to other countries with cheaper labor, we can see the transformation from the manufacturing activities into trading and services. In addition, by leveraging on its strength as the regional hub for services such as logistics and education, Singapore is poised to become Asia's leading services hub, providing an array of world-class services. The following sections will analyze the factors (Politc, Economy, Social and Technology) that influence the business environment in Singapore and also its limitation.

PEST ANALYSIS

POLITICAL/LEGAL

Singapore is an enterprise friendly country. The government has set up several organizations in helping the business in a very systematic way.

Regulation Structure

Ministry of Trade and Industry (MTI)

The Ministry of Trade and Industry (MTI) has its vision to make Singapore a leading global city of talent, enterprise and innovation. Its mission is to promote economic growth and create jobs, so as to achieve higher standards of living for all. It was tasked with anticipating problems ahead, identifying opportunities for growth, rationalizing existing policies and giving broad directions for the economy. The main tasks are categorized as below:-

Growing economy

Expanding trade

Developing industries

Fostering pro-enterprise environment

Statutory boards are semi-independent agencies that specialize in carrying out specific plans and policies of the Ministry. One of such agencies under the MTI is SPRING Singapore. SPRING Singapore (Standards, Productivity and Innovation Board) is the enterprise development agency for growing innovative companies and fostering a competitive SME sector. SPRING works with partners to help enterprises in financing, capabilities and management

development, technology and innovation, and access to markets. As the national standards and accreditation body, SPRING also develops and promotes internationally-recognized standards and quality assurance to enhance competitiveness and facilitate trade. It has many programmes to encourage entrepreneurship and assisting the Small and Medium Enterprise (SME). These are two available financial incentive schemes:-i) Business Angels Scheme (BAS) where they will provide

Innovative Singapore-based young companies a matching dollar for every dollar invested by pre-approved angel groups, up to \$1. 5 million.

ii) Young Entrepreneurs Scheme for Startups (YES! Startups)

Where they will provide youths with grants of up to \$50, 000 to start their innovative business. SPRING also provides business leadership and capability development where a number of training courses are conducted to improve leadership and business management skills. Several available programs are:-

i) Advanced Management Programme (AMP) where it will help to build management capabilities of SME leaders through postgraduate and executive development courses that focus on the business management needs of SMEs.

ii) Management Development Scholarship (MDS): Designed to

Nurture the leadership of tomorrow for growth-oriented enterprises where it provides MBA scholarship to help the SME to develop their talent for the future. Enterprise One (One Network for Enterprises) is a multi-agency initiative managed by SPRING Singapore. Enterprise One aims to help local

enterprises find the answers they need to start, sustain and grow their businesses. Its resources pose:-

Rich and Deep Content

Over 20 sections covering a comprehensive range of topics such as venturing abroad, hiring people, Government tenders, loans, taxes and regulations. It pulled together information from different Government agencies so the business owners don't have to trudge from agency to agency to look for answers.

Industry Guides

Topics are grouped by industries and organized in sections so that the business owners can easily find information relevant to your sector. The Competition Commission of Singapore (under MTI) who is a statutory body established to enforce the Competition Act and ensure a fair competition environment. Any unfair business practice can be prevented and this can ensure a healthy competition and business growth. Another MTI agency is

Public Service for the 21st Century or PS21

It is about the Singapore Public Service's commitment to Anticipate, Welcome and Execute change, influencing developments in order to provide Singapore with the best conditions for success. One of its main objectives is to cut red tape to achieve service excellence and efficiency. Red tape reduction definitely will encourage entrepreneurship, foreign investment and positive growth of the business sector.

Ministry of Finance (MOF)

The main regulatory statutes under MOF are the Companies Act, Business Registration Act, Currency Act and Accountants Act. The emphasis of the regulatory policy is on development, rather than control. MOF aims to collaborate with industry experts to make Singapore a world-class financial and business hub. The main strategy in helping the business in the Singapore is building a Conducive Business Environment by “ Facilitate growth of businesses and nurture an entrepreneurial environment”

Under the MOF, the Free Trade Agreement (FTA) Directorate's role is:

- To drive the development of a holistic and cross directorate/ agency approach to the FTA issues
- To shape and balance the outcome of the issues in the FTA negotiations to align with MOF's policies and goals
- To function as a centralized focal point within MOF for information on all FTA issues. The Accounting and Corporate Regulatory Authority (ACRA) is one of the statutory boards under the MOF with mission to provide a responsive and forward looking regulatory environment for companies, businesses and public accountants, conducive to enterprise and growth in Singapore. The focus of the statutory board will be on issues concerning businesses, such as developing the corporate law framework, accounting and corporate governance.

Government E-Business Portal

In an effort to promote transparency, the Singapore government has setup GeBIZ (Government E-Business Portal) who is the Singapore government's one-stop e-procurement portal. All the public sector's invitations for quotations and tenders are posted on GeBIZ. Suppliers can search for government procurement opportunities, download tender documents, and submit their bids online.

Enforcement

Singapore is a country where the enforcement units are very efficient and with very low corruption rate. The Singapore Police Force enjoys a relatively positive public image, and is credited for helping to arrest Singapore's civic unrests and lawlessness in its early years, and maintaining the low crime rate today. Another example is the taxi services where the drivers collect fares by using the meter and do not cheat the passengers. Taxi in Singapore is regulated by the Land Transport Authority. This gives the passengers especially tourist peace of mind in using taxi service. Any bad taxi service may hamper the tourism industries.

Corruption Practices Investigation Bureau (CPIB)

Singapore is reputed to be one of the few countries in the world where corruption is under control. This is due mainly to the strong political will to curb corruption, firm actions taken against the corrupt regardless of their status and background, and the general public who do not accept corruption as a way of life. The Corrupt Practices Investigation Bureau (CPIB) is an independent body which investigates and aims to prevent corruption in the public and private sectors in Singapore. The bureau is responsible for

safeguarding the integrity of the public service and encouraging corruption-free transactions in the private sector.

Deregulation & Liberalization

Singapore has deregulated several markets, e. g. the electricity and telecommunication. The government no more monopolized these markets, but it is open for competition among the industry players. Even since 1989, the government of Singapore started eliminating restrictions on the sale of telecom consumer goods to make businesses more competitive. From this we can see the competitive telecommunication markets nowadays, which benefit to the end consumer and the business as well. Singapore is reliant on foreign direct investments and exports so competition from countries with lower costs such as China and India is exerting pressure on the government to reduce the costs of doing business here. Electricity cost is one of these. Deregulation is believed to be able to bring about lower electricity costs due to the various efficiency gains possible. Since corporatization the power industry has become more efficient and more reliable. Customer service has improved. Investments in new power plants and transmission network infrastructure have increased significantly. The industry is also making healthy profits through efficiency and productivity gains, and lower cost of purchase of power equipment and cables. One of the deregulation result is YTL Power of Malaysia has acquired 100% interest in Power Seraya Limited recently. Also the China Hua Neng Power has acquired 100% stake in the Tuas Power Ltd. We can see the deregulation has attracted foreign direct investment into the countries and thus accelerate its economic growth. Being Asia's first liberalized electricity market, the Singapore government

has liberalized the electricity wholesale and retail market. This means contestable consumers will have greater choice about how they purchase their electricity. Non-contestable consumers continue to buy electricity from SP Services Ltd at regulated tariffs. Eventually, all consumers in Singapore will become contestable. This certainly has reduced the electricity bills for the industrial/ business user and consumer. The government must be very careful and governing the deregulated market and not to repeat the failure encountered by the US deregulated energy market, where expenditures become higher and consumers suffered from the higher energy cost and was a failure in the USA energy policy. Another example is the liberalization of the civil aviation industry where the flyers can fly at lower cost. Tiger Airways, the major airlines also reduce the air fares significantly and this help in driving down business expenses and accelerated growth especially in the tourism related industries e. g. hotel, F&B services and local retail business.

Licensing

Singapore government has been very careful in allowing foreign hyper market to operate in Singapore. So far only the Malaysian's Giant (4 outlets) and French's Carrefour (2 outlets) are allowed to operate on the island. Strict control has been taken to protect the retailer especially.

Non Government Organization (NGO)

NGO play an important role as pressure group in the government policy and implementation. As part of an effort to bolster tourism as more manufacturing jobs shift to countries with lower labor costs and in view of the possibility that Singapore would lose out in its status as a tourist hub as

well as the economic benefits from tax revenues, Singapore government has revisited the idea of building casino in Singapore in 2004. This had generated substantial and intense public debate and objection from the NGOs as this was not just a socio-economic policy dilemma, but has potential to touch the sensitive nerves of social identity, public morality and values and has bad implication on Singapore as a clean, sterile, corruption-free and crime-free city. Further the NGOs protested that this development will be at the expense of the environment as the developer has to reclaim the sea for extra land where ecology system will be spoilt. However, after much debate about the tangible and intangible facts and costs, the government finally approved the casino plan and it is now under construction. The completion of this casino together with the entertainment resort and other infrastructure will certainly attract more foreign tourists and boosting the domestic economy once the plan is completed.

ECONOMY

The Singapore economy is an example of a vibrant free-market economy that is developing at a rapid pace

1. The per-capita income of the country is the highest in ASEAN. The business sector has been supported and strengthened by a corruption-free environment, an educated and motivated workforce, and well-established legal and financial business framework. In recent years, the Singapore government has invested heavily in diversifying the economy. This has led to growth in the tourism industry, the pharmaceutical industry with a particular focus on biotechnology, financial services, business consultation services,

education, multimedia, retail and leisure, and the medical technology industry.

Productivity

Significantly from 2008-Q3 onwards, economic growth was rapidly slowing down because of the financial crisis, while commodity prices hit unprecedented heights, creating sharp inflationary pressures in Singapore and other economies. The data for this section are for the year 2010. Singapore achieved GDP (current market value) of S\$257, 419 million, which is a 2. 3% increment from the previous year. In the fourth quarter of 2008, the economy contracted by 4. 2 per cent, after posting flat growth in the third quarter. Unemployment rate as of end 2008 is 2. 3%, which is a 0. 2% increment from year 2007. However, the retrenchment rate has almost doubled from year 2009's 7, 700 to year 2010's 13, 400 workers. This is certainly the consequence of the global economic crisis, where almost not a single country can be escaped. Gross national income per capita was S\$51, 739 which is the highest per capita income in ASEAN and making its citizen income on par with the developed nations. In fact, the city state is the only developed country in ASEAN. The services producing industries made up 68. 8% of the overall economy and manufacturing weighted at 19. 4%. Financial services and business services

has become more and more important and made up 13. 1 and 14. 0% respectively of the overall economy. We can observe a transition from the manufacturing based into services oriented and this demands more professional and intellectuals. The government spends a lot of effort to attract foreign professional and talented individual to work and migrate to

Singapore to support the local business. Of course they do not left out to attract foreign direct investment. However the drawback will be the outflow foreign exchange. Petroleum refined products top the export list with 23. 7%. This can be attributed to the petrochemical complexes in Jurong Island. This initiative has boosted the heavy petrochemical industries in the country and has attracted foreign direct investment like the Exxon-Mobile Refinery. The limitation will be the pollution to the environment which will increase the social cost like healthcare services.

Exchange Rates

Currency exchange rate is about US\$1. 00 to S\$1. 50 range lately. Due to its high exchange rate to the Ringit Malaysia (S\$1. 00 = RM2. 40 approximately), many Singapore residents like to cross the Tebrau Straits to Malaysia for weekend spending. Additionally, the comparative cheaper petrol price in Malaysia has attracted Singaporean to fill up their vehicle fuel tank in Malaysia. These have directly affected the Singapore domestic businesses and the petrol retailers. Therefore the government has set the rule for the car owner to have at least the fuel tank $\frac{3}{4}$ filled when travelling outbound to Malaysia. On the other hand, the high exchange rate to Ringgit Malaysia and Indonesian Rupiah has attracted many white and blue collar labors from these two neighboring countries. Especially the high numbers of skilled workers from Malaysia has contributed to Singapore's GDP growth but on the other hand remarking loss in foreign exchange. On the other hand, construction and heavy industries in Singapore are over dependant on foreign workers which in one hand has become a threat to the social identity and safety.

Monetary and Fiscal Policies

The success of Singapore's fiscal policy over the years lies in the government's prudent expenditure patterns and conducive taxation policies that have complemented monetary policy in promoting sustained and non-inflationary economic growth. Singapore's tax policies, although providing the main source of funding for the government, seek to enhance its economic competitiveness and attract foreign investments to Singapore. In its Budget 2009, the Singapore government has announced The Resilience Package totaling \$20. 5 billion to help Singaporeans preserving their jobs and helping viable company stay afloat. The government spent S\$5. 8 billion to stimulate bank lending. It also would spend S\$2. 6 billion to enhance business cash flow and competitiveness. Further, it also allocated S\$4. 4 billion to develop Singapore as a global city and best home for Singaporean.

Under the severe global economy crisis, Singapore government has justified withdrawal from its past reserves to fund the Jobs Credit Scheme and Special Risk-Sharing Initiative to ensure that the Resilience Package will stimulate the business sector. This combination of fair tax policies and prudent expenditure programs, augmented by high economic growth has enabled Singapore to enjoy consistent budget surpluses over the years. Singapore is one of the very few countries who enjoy surplus in its economy nowadays. In 2008, as part of the government's move to share the nation's surpluses with its citizens, the government has allocated S\$1. 06 billion as growth dividend for this purpose which benefited about 2. 4 million Singaporean, especially those of the lower income. This allocation has help the lower income group to cope with the higher living cost and in turn has stimulus the buying power

in the market. However, the effectiveness for the market stimulation is only for the short term. The Official Foreign Reserves at Feb 2009 is US\$163, 549. 4 million and Singapore government does not bear any foreign debt. This again proves that Singapore economic and financial performance is well managed and the local business can enjoy strong support and enterprise friendly policies from the government.

International Trade

International Enterprise (IE) Singapore is the lead agency under the Ministry of Trade and Industry spearheading the development of Singapore's external economic wing. Its mission is to promote the overseas growth of Singapore-based enterprises and international trade. At the same time, IE works to position Singapore as a base for foreign businesses to expand into the region in partnership with Singapore-based companies. In championing international trade, IE Singapore contributes to the Singapore economy through active promotion of export of goods and services, and offshore trade. Singapore's Global Trader Program (GTP) which provides incentives to attract international trading companies to set up their base in Singapore. The IE's Enterprise Group manages and develops a range of broad-based services for Singapore-based companies wanting to export internationalized goods. In 2007, Singapore was ranked the 14th largest trading nation in the world, amounting to total of \$846. 6 billion of external trade, with Malaysia remained as the biggest trade partner, followed by EU. The Port of Singapore is the world busiest port in term of total shipping tonnage. It is also the world busiest container port and transshipment port. The Port of Singapore is not only a mere economic boon but an economic necessity as it is lack of natural

resources and land. The Maritime and Port Authority of Singapore was established with the mission to develop Singapore as a premier global hub port and international maritime centre. The establishment of Malaysia's Port of Tanjung Pelepas has threatened the Singapore Port status as the rival has attracted prestigious maritime companies like Maersk and Evergreen to switch over to Tanjung Pelepas. Surely, the Singapore Port operator will be facing more fierce competition ahead. The Singapore Tourism Board aims to triple tourism receipts to \$30 billion and double visitor arrivals to 17 million visitors by 2015. It is working closely with international investors to develop new world-class attractions (e. g. the casino), and attract strategic business and leisure events to Singapore.

SOCIAL CULTURAL

Singapore is an eastern country who still follows the traditional family values, but the younger generation has started to adopt western culture and values.

Society Values and Principles

As nowadays, many Singaporean have the mindset of "Kia-su" which means afraid of losing out to others. Many Singaporean works very hard to retain or fulfill their materialism desire. In some extent this has positively increased the nation productivities and the business sectors can expect a higher purchasing power from the consumers. On the other hand, some family and social values have to be sidelined.

Demographic Profile

The current population is about 5, 353, 494 (July 2011 est.). Singapore ethnic mix is Chinese 76. 8%, Malay 13. 9%, Indian 7. 9%, other 1. 4% (2000 census). Most of the Singaporean dislikes blue collar works like construction and other works in hard environment. These are considered “hard and dirty” works and therefore not welcome especially by the younger generation. This created the window for importing foreign workers to fill up blue collar vacancies. With the cheaper labor from neighboring countries, the business sector has enjoyed cost saving and therefore more can be reinvested for further expansion.

Education

Singapore has codified compulsory education for children of primary school age, and made it a criminal offence if parents fail to enroll their children in school and ensure their regular attendance. English is the primary language used in Singapore's education systems. Good command of English has given Singapore an edge advantage for attracting foreign investment and international trade. Further the Chinese language proficiency among the Chinese ethnic has attracted the investor from China, Taiwan and Hong Kong and on the other hand enable investing ventures into these countries easily.

The latest statistic shows that the literacy rate stands at 92. 5% whilst secondary or higher qualification holders are 89%. This is the driving force for the government to promote knowledge. Economy which is less labor incentive but more talent and intellectual are on demand. Besides, owing to the “ kia-su” mindset, the parents here are very concerned about the

performance of the kids in school. This has led to blossoming of tuition centers and other arts/musical learning classes.

TECHNOLOGY

Technology is the power behind to change our life style and improve our quality of life.

The Internet

Comprehensive infrastructure setup has been a fundamental attractiveness for foreign investment and local business establishment, not to mention about the IT infrastructure. Currently, the household broadband internet penetration rate has achieved more than 70%. The successive of e-commerce and e-B2C model highly relies on the broadband internet. As of latest, 10 Mbps of broadband internet service is available. The comprehensive IT infrastructure also has encouraged MNC to setup their regional operation in Singapore. The successful of the financial and IT services business are highly rely on the state of the art IT infrastructure. On the other hand, the Singapore government is moving towards an electronic government era. Many useful resources and information are available in the relevant ministries/ department or government agencies website. For instance, the Customs Office of Singapore has provided e-service, these are few examples:-

Application for: Manufacturer's Registration & New Product Line(s)

Application for Registration of Companies/ Firms and Signatories for Customs and/ or GST Transactions

Application for GST relief on household articles and personal effects. This approach enables to cut red tapes and enhanced the efficiency.

Water

Due to its lack of water resources and the government would like to reduce its dependence on the Malaysian supplied water, the Singaporean has ventured into water recycling and desalination. NEWATER is the brand name given to reclaimed water produced by Singapore's public utilities. More specifically, it is treated wastewater (sewage) that has been purified using dual-membrane (via microfiltration and reverse osmosis) and ultraviolet technologies, in addition to conventional water treatment processes. Many experts suggested that Singapore could become the world's water hub for water recycling and desalination technology and could export this technology to the world including China. With the new technology in water reclamation, waste water would become the most important sustainable water resource in the future. Singaporean's expertise in the water recycling will definitely give its edge advantage if its exports this expertise and technology in the future.

SWOT ANALYSIS

STRENGTH

Manufacturing constituted 26% OF Singapore's GDP in 2005. The manufacturing industry is well diversified with significant electronics, petroleum refining, chemicals, mechanical engineering and biomedical sciences manufacturing sectors.

Singapore has been rated as the most business-friendly economy in the world, with thousands of foreign expatriates working in multi-national corporations. As of 2009, Singapore has 16 bilateral and multilateral trade agreements with 24 trading partners.

Singapore is a popular travel destination, making tourism one of its largest industries. About 10. 2 million tourists visited Singapore in 2007.