

Singapore is a small island nation in Southeast Asia. With an estimated population of about 3,777,000 in 2000 and a total land area of 618 sq. km, Singapore has a highly developed economy (1). The economic development of Singapore has frequently been cited as a model for capitalist development. Despite having almost no resources, its economy was the second most competitive, just behind the United States according to the World Competitiveness Report (2). Singapore's early transition towards a knowledge-based economy, driven by the presence of multinational corporations, has given it an early advantage as it adjusts to globalization forces. In the aftermath of the Asian economic crisis, Singapore has been forced to look beyond its mediate neighbors and traditional trading partners for its survival instinct. In



SINGAPORE IN AN ERA OF GLOBALIZATION

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in this paper we take a glance at some recent changes in the economic development in Singapore globally.

Singapore has been one of the world's fastest growing economies. Over the years, Singapore has been able to mix rapid economic growth with low inflation, increasing foreign exchange reserves, low level of external debt, and a sound currency in relation to the U.S dollar. Its GDP in constant prices grew at an annual combined rate of 9.68% during the 1985-97 period (3).

Singapore is among the most internationalized economies in the world. The country is host to a very large number of multinational corporations, in both manufacturing and services. It has given priority to

maintaining its world competitiveness so that it can continue its strategy of being internationally oriented within a globalized framework (4).

Singapore's economy has been well diversified. It has developed an industrial and manufacturing base in key drivers such as electronics, petrochemicals and pharmaceuticals. Its economic growth in 2000 exceeded expectations. Manufacturing's year-on-year growth rate rose to 15.5% in the third quarter from 13.3% in the second quarter of last year. Besides, strong tourism and the Internet craze fuelled the service industry, helping to produce a current-account surplus (5).

However, the country has to meet the dynamics of the economic

realities in order to keep its world class economy in the coming years. The country has been open to global trade so that investment and manpower can flow in from abroad.

Even though some of the key markets such as land, housing and labor are influenced by the government, the government-linked companies (GLCs), particularly in manufacturing, operate as commercial entities and account for 60% of GDP (6).

Singapore has achieved economic development successfully thanks to the following helpful elements.

- Singapore has a favorable location in Southeast Asia with major shipping and air trade routes and a deep natural harbor.

- The city-state favorable external factors in terms of better world market conditions during its industrialization phases.

- Cultural factors, like creed barriers and the use of English as an official language, make Singapore more appealing to multinational companies.

- Structural factors, like high quality of infrastructure and information technology, and an efficient government management, have helped in the formation and implementations of policies to cope with future challenges (7).

As Singapore looks to a future increasingly marked by globalization, the country is positioning itself as a financial and high-tech hub in the region. The Economic Development Board of Singapore, which is the statutory board responsible for economic development, has been instrumental in formulating and imple-

menting new and innovative strategies to maintain sustainable high growth and competitiveness in the world market. The policy makers have to encounter the following major challenges.

1. There is an urgent need for a greater participation of highly skilled professionals in the labor force to support future growth. The resident population in Singapore is rapidly aging and has grown at an average rate of only 1.9% in the past four years (8). The number of skilled workers in the labor force is also declining.

2. Singapore needs to expand its external economic relations beyond its traditional trading partners in the Southeast Asian region to increase the size of its external market.

3. Due to scarcity of land, Singapore needs to venture overseas and invest in markets that have an easier availability of land.

4. To attract growing and globalizing economies that lack adequate infrastructures, Singapore has to lower per unit cost, upgrade and improve its existing infrastructure facilities (9).

To keep itself competitive in the rapid wave of globalization, Singapore has to invest in research and development (R&D) activities and upgrade the skills of workers by training them to adapt to changes in technological development. It is visualized that its regional rivals will not easily keep up with its core capabilities in this objective. This strategy would provide Singapore with a competitive advantage in the world market (10).

Electronic commerce (e-commerce) is an important activity that is knowledge-based and rapidly growing in the Singapore economy. E-commerce deals with the exchange of goods and services through electronic medium of the Internet. In Singapore e-commerce is conducted over Singapore ONE, a high-speed network that aims at linking all homes, businesses and schools on the island state via the Internet (11).

The Singaporean government has encouraged regional economic organizations to establish secretariats in Singapore. The secretariats of both APEC and the Asian-Europe Foundation have been set up in the country. The government is creating strategic partnerships with leading universities and business institutes in selected areas, and is setting up specialized centers and institutes in science, business and strategic studies. Singapore government agencies are also providing technical and professional training to officials from developing

countries (12).

Since the financial crisis hit Southeast Asia in 1997, Singapore has struggled to maintain high levels of trade, foreign investment, and portfolio investment. Due mainly to its high trade levels, heavy international telephone traffic, and steady stream of international travelers, Singapore leads the ranking as the most global nation in the index of the global top 20 countries (13).

Being aware that trade routes are vital to its economic prosperity, Singapore has always been eager to participate in regional groupings. Singapore has become a member of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), which was formed in Mauritius in March 1997 (14). This organization consists of 14 countries across the continents whose shores are washed by the Indian Ocean. Although economic relations between Singapore and the IOR-ARC countries have not been strong yet, they will develop significantly in future. Until recently, Singapore has maintained good relations with ASEAN and APEC countries. While focusing on ASEAN, the United States and Northeast Asia, Singapore does not preclude the possibility of linking with Australia and New Zealand (15).

Singapore economy grew 10% last year. It has been expected to grow half as fast in 2001 thanks to the US slowdown and regional stagnation. Seeking to protect itself Singapore has adopted a radical plan. It has pursued free trade pacts with partners outside the region. On February 21, Australian and Singaporean officials began negotiating a trade deal that could be concluded by the year's end (16).

For conclusion, overwhelmingly depending on external trade, which accounted for more than 70% of its total demand last year, Singapore has been pursuing free trade agreements (FTAs) with several countries outside its traditional partners. Singapore has got to do it because ASEAN is going so slowly and AFTA (ASEAN Free Trade Area) does not seem to be going forward quickly, according to Daniel Gay, a Singapore-based senior economist at research firm Strategic Intelligence (17). To Singaporean government, the stimulus for the future growth will have to come from a wider region and beyond. On March 13, Singapore Trade and Industry Minister George Yeo urged the United States to build on its separate free trade talks with Chile and Singapore to craft a Pacific Five trade pact that would also include Australia and

New Zealand. In a speech to the Institute for International Economics in Washington, Minister Yeo mooted the extension of a proposed free trade agreement. He hoped that the free trade agreement with the U.S will be eventually enlarged to include other countries in South East Asia. Differences between the two sides reportedly include American concerns over labor and environmental standards. Minister Yeo said at the end of a four-day visit in Washington on March 15 that although differences remained between the two sides, he believed they were bridgeable. He hoped that a free trade deal with the U.S could be wrapped up by the end of the year ■ (18).

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