

# ECONOMICS

## Impact Of Globalization On The Republic Of Singapore

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Singapore despite being originally a Malay fishing village prior to British colonization in 1819 has transformed to be the commercial and cultural hub of Asia and one of the most globalized and successful market economies of the world. Such merits can be traced to the economic policies under the former Yuan Kew Lee government which in the 1960s after the torment of WWII decided to transform economy to be service driven due to Singapore's lack of natural resources (including life's necessity- water is all brought from Malaysia). Under Lee's authoritarian rule, Singapore has become one of the world's most successful market economies with an average annual growth of 7% in real GDP since the early 2000s and a large attraction of Foreign Direct Investment.

### ECONOMIC GROWTH

Singapore has been experiencing stable economic growth with an average of 7% rise in real GDP since the early 2000s as a result of its favorable economic conditions and the heavy inflow of FDI. However as the Ministry of Trade and Industry of Singapore (MTI) announced on 26 February 2009, the Singaporean economy grew by 1.1 % for the whole of 2008, in comparison to 7.8% in 2007. This is mainly due to the decline in real GDP which has contracted by 4.2% in the fourth quarter and a flat growth in the third quarter of 2008 in the domestic market due to the global economic crisis which has worsen in all major industrialized economies. The current crisis has resulted in sharp decline in global demand, trade and investments and has significantly affected the Singaporean export led economy. This "doom and glom" outlook is further amplified and confirmed by the forecast by MTI on 2 January 2009 which expects the Singaporean economy to grow between -2.0% to 1% in 2009 and the World Bank which expects the volume of trade to be decline by 2.1% in 2009, which is the lowest volume of trade in 26 years. Such expectation will drastically minimize consumers' confidences and significantly affects the Singaporean economy which holds the United States and the United Kingdom the two countries which has already announced itself in recession as its top 2 trade partners.

### ECONOMIC DEVELOPMENT

In 2007, Singapore has ranked 25th in terms of it HDI (Human Development Index) with a score of 0.922. This reflects the high standard of living Singaporeans enjoy in areas such as a high adult literacy (92.5%), life expectancy at birth (79.4 years of age), probability of not surviving past 40 (1.8%), GDP as adjusted to PPP (\$49 752, 21st), low unemployment rate of merely 2.3%.

The government of Singapore has implemented several infrastructural projects including the "Selectar Aerospace Park", the ambition of a "global schoolhouse" and its funding in areas such as the research of Intelligent Systems.

Selectar Aerospace Park is a project based on the Selectar Airport built by the British in 1928 over an area of 300 hectares. This historic landmark is being transformed into a world class aerospace facility by the Singaporean government to meet the demands of the region's burgeoning aerospace need which has been growing at 13% per annum since 1990. The park is designed to meet needs such as:

- Maintenance and overhaul
- Business and aviation activities
- Regional aerospace campus and house flights for educational and training purposes.
- Design and manufacture of aircraft system.

Several companies have already been sited including Rolls Royce which is a major supplier of aircraft engines. The Park aims to create economies of scale and maintain Singapore's reputation as the aviation hub of Asia.

The launch of the "Global Schoolhouse" initiatives in 2002 aims to build up the Singaporean Education brand name has set an ambition of achieving an enrollment of 150 000 foreign students by 2015. Singapore's ambition of a global schoolhouse aims have prestigious Western school to "outsource" world class education which involves school persuaded by the government to open campuses in Singapore. The initiative has resulted in universities such as INSEAD, Chicago Booth Graduate School of Business, New York University's Tisch School of the Arts to set up operations in Singapore.

The government has in response to the technological developments in intelligence system has built up world class competencies in fields such as R&D (research and development) capabilities, infrastructure and talent and the largest robotic laboratories in the region. The Singaporean government has funded 25 research groups, employing over 300 researchers, scientists and engineers. This also correlates to Singapore's advanced manufacturing industry which holds eminence in fields such as advanced electronics and IT.

### **TNC AND FDI**

In 2008 Singapore was home to 7000 different outlet Transnational Corporation and has resulted in the largest holder of FDI in the world (which has soared by US\$1 billion in mid 2008), surpassing both the US and UK.

### **Outflow of FDI**

This can be seen as due to that relative low cost of labor in Singapore – a deliberate move by the government to lower minimum wages and the favorable corporate tax – at merely 20% makes Singapore one of the most taxes advantaged and cost efficient places to invest in the world. Singapore's ownership of FDI can be traced down to 2 major sources – the Temasek Holdings<sup>1</sup> and GIC<sup>2</sup> which together holds deals worth up to S\$3.4 billion in India in 2007.

### **Inflow of FDI**

Singapore's openness for Foreign Direct Investment (FDI) has attracted the "Las Vegas Sand"<sup>3</sup> world's largest gambling company to develop "The Marina Bay Sands" the first "Integrated Resorts"<sup>4</sup> on the island. The decision by the government after a history of prohibition of gambling to build a casino was inspired by Macau's overwhelming success as a threat to Singapore's tourism industry and also the long history of gambling existed in Asia. The project has attracted S\$5 billion of FDI into the city state and covering 560 000 meter square at Marina South in central Singapore. The resort which consisted of a casino, 3 hotel towers consisting of 2500 rooms, an art and science museum and a convention centre catering up to 52 000 has promised to create 10 400 jobs, out of which 75% is reserved for the local Singaporeans. The Marina Bay Integrated Resort is expected to be completed by 2010 as the most expensive casino in the world and dramatically boost the tourism industry of Singapore. In turn the success of the project and the tourism industry would consequently affect the Singapore's status as an aviation hub and boost the rest of the economy. The target market of the integrated resort aims particularly at the new rich from India and China and the wealthy oil sheiks from the Middle East, both of which Singapore is located to with relative geographical closeness.

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<sup>1</sup> Temasek Holdings: an Asian investment house headquartered in Singapore managing a portfolio of S\$185 billion. The 34 years old holding has since inception produced a return of 18% compounded annually.

<sup>2</sup> GIC: global investment Management Company established in the 1980s in Singapore to manage Singaporean foreign reserves. It invest internationally in equities, fixed income, foreign exchange, commodities, money markets, real estates, private equity....

<sup>3</sup> Las Vegas Sand: the US owned public company with Sheldon Adelson as its main shareholder and CEO, with a market capitalization of

<sup>4</sup> Integrated Resort: a Singaporean euphemism for a Casino based development.

## ENVIRONMENTAL CONSEQUENCES

Singapore like most countries which has experienced industrialization with limited space faces issues such as industrialized pollution, limited fresh water supply and land availability, waste disposal problems...

As according to the 2007/2008 Human Development Report Singapore has accounted for 0.2% of the global emission, while the population of Singapore accounts for 0.1 of the global population. This sums up to be an average of 12.3 tonnes of carbon dioxide per person in a population of 4.8 million. It is also commented in the report that "If all countries in the world were to emit Co2 at levels similar to Singapore's, we would exceed our sustainable carbon budget by approximately 453%". Thus this poses a serious environmental concern for the Singaporean government who is a non-Annex member of the Kyoto Protocol at the end of 2006. This forces the government to pose stricter measures to improve energy efficiency, especially in terms of reducing the electricity bill which refrigerator and air conditioning use accounts for up to 65% of an electricity bill due to Singapore's hot and humid climate all year round. The Singapore Environment Council has enforced energy efficiency and climate change awareness campaigns to urge more efficient use of energy, targeting especially the transport and household sector which accounts for 30% of all carbon dioxide emissions.

## TRADE

Singapore is home approximately 7000 Transnational Corporations and pride itself on having one of the busiest ports in the world. In 2005, the Port of Singapore was ranked the busiest port in terms of the shipping tonnage handled – 1.15 billion tonnes and second busiest in terms of cargo tonnage. The port is transshipment and refueling centre for incoming and outgoing cargo ships all over the world. The Changi Airport consists a network of 81 airlines which connects small city state to 185 cities and 58 countries. The high quality and standard of the infrastructure as well as the highly educated population, corruption intolerance and yet comparatively cheaper rates of wages allows Singapore to be a manufacturing base for many TNCs in fields such as pharmaceutical and biotechnology, oil refining, financial services... Singapore's pro business environment further encourages business operations and trade within the economy; for example, it takes 15 minutes to register business online, 3 weeks to receive approval for clinical trials and 24-35 months for a manufacturing facility to be operational.

## GOVERNMENT STRATEGY

The success of Singapore's initiative on Intelligence System can viewed in the First Lego League in Atlanta in 2008, which Singapore has been the crowned champion. The government's aim in researching intelligent systems corresponds to the service and export led economy in fields such IT, pharmaceutical and medicine that Singapore is renowned for. The success of the IS researches would corresponds subsequently compliments Singapore's already prestigious high tech industries. The governments' encouragements in such research is reflected in the awards of "NRF (National Research Foundation) Research Fellowships" worth up to \$US1.5 million for each researcher. As well as research, the government also aim to promote the intelligence system industry through robotic competitions among the young, which current attracts 6000 students annually. Singaporean educational institutions such as the National University of Singapore, Nanyang Technological University and several other local polytechs demonstrates their support and encouragements in research and development of Intelligent Systems through expanding faculty intake of students in related faculties and sponsoring events such as the "Robotic Games Society". Furthermore, the Singaporean government also booms this relatively infant industry by winning its bid to host the Robo Cup 2010, which is the world's biggest robotic and artificial intelligence event in an attempt to attract international publicity and local awareness. The success of the intelligent research will ultimately influence Singapore's status among the industrialized world and influence the future economic abilities of the industry.

The “Global Schoolhouse” initiative by the government has succeeded to a limited degree and received with some popularity in the global education market. Singapore with only 2 university and schools which has already committed to the initiative welcomed the plan as a way to expand into the rest of the region. The plan despite having 16 foreign tertiary institutions and 44 pre-tertiary schools offering international curricula has received criticism from some such as Vice Chancellor of UNSW Fred Hilmer, who refer to the project “unsustainable financial burden”. UNSW which has originally to invest S\$91 million to the “global schoolhouse initiative” to build the first comprehensive university for an enrolment of 15 000, halted after disappointing enrolments after spending S\$14.4 million. Hilmer justified the withdrawal “When a student say I want an Australian degree, what they really mean is I want the experience of living in Sydney...buying surf boards.” This demonstrates the despite the cultural diversity of Singapore, the global schoolhouse is in some degree limiting the unique “college experience” which a country in its homeland can offer, thus the plan will be to some degree be limiting the full experience of a foreign degree and defies the principle which the plan is founded upon.

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