Singapore's Global Trade

The significance of trade to Singapore's economic well-being is evident from the fact that its total trade exceeds the GDP by a factor of three. Re-exports alone account for over one third of total trade.

Singapore's two-way trade with the rest of the world reached $110.6 billion in 1989, an 8% increase over the previous year. The country's overall trade deficit reached approximately $6.1 billion, mainly because of Japan's importance as an import source. The United States is Singapore's most important trading partner, accounting for over 20% of its global trade in 1989. Japan and Malaysia rank closely as second and third with respectively 15% and 13.5% of Singapore's global trade.

As noted, Japan is now the largest source of imports for Singapore, with over 21% of the total, followed by the United States and Malaysia. These three countries account for over 50% of the total imports into Singapore. Singapore's leading export market is the United States which absorbs almost one quarter of its total exports. Malaysia, Japan, Hong Kong and Thailand together account for another 34% of Singapore's total exports.

The Business Environment

Singapore's success on the international trade scene builds on its traditional role as an entrepôt for the region. This role has been reinforced by its central geographic location in Asia, well-developed infrastructure, world class communications system and political stability, as well as its educated, English-speaking workforce. The Singaporean government's fiscal and monetary policies are designed to promote Singapore as a business centre through the facilitation of private sector growth and export competitiveness.

Singapore's market economy is based on a completely free enterprise system. Singapore functions as a free port where most goods are not subject to quota restriction and can be imported without a licence. As well, most imports are duty free, with only 8% of trading classes subject to import duty.

The objectives of domestic price stability and export competitiveness are sought through exchange rate and monetary policy. Large foreign reserves, relatively low inflation and competitive interest rates provide few constraints on monetary policy.

Foreign investment is actively encouraged, especially in the development of technology and its related management and labour skills. Virtually all industries are open to foreign investment, with the exception of public utilities and telecommunications. Singapore offers a relatively risk free environment in that no nationalizations or expropriations have ever occurred.

Generally, no percentage restrictions are enforced regarding foreign ownership, although the approval of relevant government departments is required. The only areas where restrictions to ownership occur are in the banking and newspaper-publishing sectors. Special incentives have been developed, especially to encourage high-technology based sectors.