

SINGAPORE

The dynamism of the Singapore economy, its regional role as a communications and transportation hub, and Singapore's membership in a wide range of international institutions make it an important interlocutor for Canada on regional and global trade, as well as economic and political issues. While Canada's political and economic relationship with Singapore is maturing, there remains a significant potential to broaden these ties in the future.

Canada enjoys sound relations with Singapore stemming from the Commonwealth bond and Canada's support for and active dialogue with ASEAN. The two countries regularly exchange information and views on a broad range of issues, including Asia-Pacific Economic Cooperation (APEC) and the Multilateral Trade Negotiations, as well as political and economic developments in the region. However, trade is by far the most important feature of the Canada-Singapore relationship.

Recent Economic Developments

Given its few natural resources and the high dependence of its economy on trade, Singapore is extremely vulnerable to the vagaries of the international marketplace and to external economic fluctuations. Foreign capital has been and continues to be a key factor in the development of Singapore as a major international financial, commercial and trade centre. The government has effectively managed the economy within a volatile environment through the promotion of policies which support free trade and accommodate both domestic and foreign investment.

These measures have been successful in boosting exports, particularly of manufactured goods to the United States and the European Community. The government's policies have also helped to maintain large capital inflows as well as investor confidence in the country's economic prospects. Total investment commitments in 1989 amounted to CDN \$1.2 billion, with around 80% of this coming from the United States and Japan. The government also actively encourages foreign investment abroad as a means of acquiring foreign technology, expanding export markets and, in the process, creating a pool of Singapore-owned and controlled multinational corporations.

Aside from a setback associated with the economic downturn of 1985, Singapore has maintained high growth rates throughout the last quarter century. The manufacturing sector has led growth in the recovery period, mainly in response to international demand for computers and associated goods. In 1989, Singapore's economy grew at an annual rate of 9.2%, a decrease from the even higher growth level of 11.1% posted in 1988.

Singapore is actively encouraging the diversification of the services sector in an effort to make the economy less dependent on the performance of its major trading partners. However, rapid growth since 1987 has placed considerable pressure on its labour market, a situation which has constrained the expansion of the economy and posed a risk to Singapore's international competitiveness. The economy is expected to slow down further in 1990 with GDP growth estimated in the 6% to 8% range.