

Presentation # 28

SINGAPORE: A CASE STUDY OF GLOBAL EXCELLENCE

By

Prof. Dr. Zafar U. Ahmed
President and CEO

Academy for Global Business Advancement Inc.,
Texas A&M University at Commerce,
Commerce, Texas, USA

AN INTRODUCTION

- Since Independence, Singapore Has Grown From a Third World Country with a Per Capita GNP of US\$300 to Having a Per Capita of S\$36,909,

SINGAPORE'S INTRO

- 4.5 Million People
- 54 Adjacent Islets
- Member of ASEAN, UN, British Commonwealth, WTO
- Parliamentary Democracy
- Richest City-State in the World
- Cleanest City-State in the World
- Safest City-State in the World
- World's Busiest Transshipment Port
- Most Wired City in the World
- Best Business Infrastructure in the World

SINGAPORE: NERVE CENTER OF ASEAN

- Financial Capital of ASEAN
- \$100 Billion Cash Reserves
- Trade Surplus
- Budget Surplus
- Singapore Airline -- Best Airline in the World
- Changi Airport -- Best Airport in the World
- Singapore Seaport -- Best Seaport in the World

SINGAPORE'S WHO'S WHO

- GDP -- S\$155.726 Billion
- GNP Per Capita -- S\$36,909
- Total Trade -- S\$532.213 Billion
- Gross National Savings Rate: 44%
- Budget:
 - Social Development -- 43% (22.4% for Education Sector)
 - Security -- 37%
 - Economic Development -- 15%
 - Government Administration -- 5%
- Revenue:
 - Taxes -- 82.7%
 - Fees and Charges -- 14.6%
- Taxes
 - Corporate Tax Rates -- 24.5%
 - Top Marginal Personal Tax -- 26%

Major Trading Partners

1. Malaysia
2. US
3. Japan
4. Hong Kong/PRC
5. Taiwan
6. Thailand
7. Korea
8. Germany
9. Philippines
10. UK

Major Exports

- 1. Machinery and Equipment
- 2. Electronics and Computers
- 3. Chemicals
- 4. Services
- 5. Beverages and Tobacco
- 6. Food
- 7. Crude
- 8. Minerals
- 9. Edible Oils
- 10. Miscellaneous

Best Business Environment in Asia

- Singapore 1
- Hong Kong 2
- New Zealand 3
- Australia 4
- Taiwan 5

– Source: EIU Country Forecast, January 2006

Second Most Profitable Place for Investors

- Switzerland 1
- Singapore 2
- Netherlands 3
- Taiwan 4
- Japan 4

– Source: BERI Report 2006

Top Work Force in Advanced Economies

- Country Rank
- Singapore 86
- Switzerland 75
- Belgium 74
- Taiwan 72
- US 72

– Source: BERI Report 2006

Personal Safety Rankings

- Luxembourg 1
- Bern 2
- Geneva 2
- Helsinki 2
- Singapore 2

– Source: Mercer Human Resource Consulting, 2006

Quality of Physical Infrastructure

- Singapore 1
- US 2
- Hong Kong 3
- Australia 4
- South Korea 5

– Source: Political and Economic Risk Consultancy, May 2006.

Least Corrupt Country in Asia

- Finland 1
- Denmark 2
- New Zealand 2
- Iceland 4
- Singapore 5

– Source: Transparency International, August 2006

Best Quality of Life in Asia

- Singapore 2.09
- Taiwan 3.20
- Hong Kong 3.88
- Thailand 4.19
- China 4.43

– Source: Political and Economic Risk Consultancy, March 2006

Lowest Political Risk in Asia

- Singapore 19
- Hong Kong 23
- Australia 26
- South Korea 27
- Taiwan 30

– Source: Business Asia, EIU, March 2006

Best Medical System in Asia

- Singapore 2.23
 - Japan 4.00
 - Hong Kong 4.21
 - Taiwan 5.25
 - Thailand 5.25
- Source: Political and Economic Risk Consultancy, April 2006

Most Global Companies in the World

- Singapore 1
 - Netherlands 2
 - Sweden 3
 - Switzerland 4
 - Finland 5
 - Ireland 6
 - Austria 7
 - UK 8
 - Norway 9
 - Canada 10
- Source: Foreign Policy, January-February 2007

SINGAPORE'S PHILOSOPHY

- If It Cannot Be the Final Destination of Goods, Singapore Can Still Be a Place to Send Them on Their Way. Even if it Cannot Absorb Much More Large Industry Within Its Own Borders, it Can Facilitate And Help Manage Industrial Operations in a Nearby Location.
- Strategy: To be the Business Capital of ASEAN By Housing the Headquarters of MNCs, Who Have Production Facilities Across the Region.
 - Result: 360 MNCs Are Headquartered in Singapore, Contributing \$20 Billion Annually in Business Spending.

KEY SUCCESS FACTORS FOR SINGAPORE

- The Ideologies of the Elites Were Congruent With Growth Oriented Policies
- Non-Economic Elites Were Included in the Wealth Sharing Programs as Beneficiaries of Growth
- Honest Bureaucracies and Economic Technocrats Were Insulated From Narrow Political Pressures

More Vision, Less Bureaucracy

- More Vision (Leadership in Strategy)
- Less Bureaucracy (Leadership in Operations)
- Speed is a Key Issue.
- Bureaucracy can Bog Down Fast Policy Implementation, Stifle Creativity and Limit the Level of Productivity that can be Achieved.

SINGAPORE'S VISION

- GOAL -- To Become a Developed Nation by Becoming One of the Most Competitive Nations in the World by 2000
- It Must be As Good As Any Developed Nation in Terms of Education, Skill Level, Range and Sophistication of Economic Activities, Capital Invested Per Worker and Productivity Per Worker
- Objectives to Accomplish the Goal:
 - Competitiveness and Differentiation as Opposed to Low Cost
 - Optimize Total Value Chain by Developing Infrastructure, Manpower Training, Industrial Estates, Business Parks, Education Policies and Labor Policies
 - At the Corporate Level, Position Itself to be Highly Competitive in Certain Parts of the Value Chain (Manufacturing in 1970s, Services in 1980s and Knowledge Based Economy in the New Millennium)

SINGAPORE'S MODEL

- No Natural Resources
- Heavy Intervention by the Government
- Promoting Labor Intensive Industry in 1960s and 1970s
- Capital Intensive Industries in 1980s
- Skilled Intensive Industries in 1990s and Beyond.
- Emphasis on Attracting FDI Rather Than Aid or Loans
- Hub of Overseas Chinese Capitalism
- All Public Sector Firms are Managed by Technocrats and Have Been Corporatized

SINGAPORE'S INDUSTRIALIZATION POLICY

- Import Substitution Strategy
- Trade Liberalization
- Offer of Export Subsidies to Local SMEs
- Import Duties Abolished in 1988
- Truly Free Trade Economy
- Trade Regime:
 - Removal of Restrictions on the Number of Establishments, Equity Participation, The Repatriation of Profits, Local Content Requirements and Requirement to Employ Nationals

SINGAPORE'S SECRET TO ATTRACT FDI

- Marriage Relationship with the MNCs
- Custom Designed and Globally Competitive Tax Incentives to Woo FDI
- Holistic Package for MNCs

SECOND INDUSTRIAL REVOLUTION

- To Resolve The Contradiction Between Labor-Intensive and Capital-Intensive Manufacturing, Singapore Government Decided to:
 - Transform Singapore Toward a Higher Value-Adding Economy, Thereby Escaping From the Competition with Cheaper Wage Countries by Offering Generous Tax and Fiscal Incentives and Fostering a Drastic Shift in Investment Toward More Capital-Intensive and Higher Value-Added Production
 - Upgraded the Physical Infrastructure Needed to Support Growth
 - Emphasis on Part and Component Manufacturing Through MNCs.
 - Industrial Servicing as a Center of Waterways and Air Routes

Singapore's Vision for Future

- Asia's
 - Financial Capital
 - Headquarter Capital
 - Educational Capital
 - Medical Capital and
 - Tourism Capital

FDI LED EXPORT SCENARIO

- 96% GDP is Produced Thanks to the Contribution of MNCs
- 95% GDP is Exported from Singapore
- MNCs Perform the Role of Export Development Companies for SMEs
- Few Major MNCs are Identified for Each Segment of the Economy
- These MNCs Are Offered Globally Attractive Fiscal and Non-Fiscal Incentives
- These MNCs Buy Components and Inputs from Local SMEs
- MNCs Have Established International Purchase Offices (IPOs)
- MNCs Process, Assemble and Produce Products and Export Them from Singapore

ROLE OF MNCs IN THE DEVELOPMENT OF SINGAPORE'S EXPORT CAPABILITIES

- Clock Radios/Domestic Appliances (Philips, GE, National)
- TV Sets (Philips, GE, Hitachi, Matsushita, Thomson, CSF, Sharp)
- Integrated Circuits (Texas Instruments, Fairchild, GE, Siemens, National, NEC, Intersil, Thomson, CSF)
- Computer Peripherals (Tandon, Seagate, Syquest, Maxtor, Miniscribe, Microscience)
- Telecommunications (AT&T)

EXPORT MARKET DEVELOPMENT STRATEGY

- Make Singapore the Most Attractive Location for MNCs to Set-up Manufacturing Facilities
- Bring the Export Market to the Door Step of Singapore
- MNCs Transfer Technology, Technical Expertise, and Managerial Know-how to the SMEs
- MNCs Help SMEs in Production, and Management
- SMEs Supply Components and Parts to MNCs
- MNCs Act As the Export Development Company for SMEs.

CASE STUDY:TANDON CORPORATION'S CONTRIBUTION IN THE DEVELOPMENT OF EXPORT POTENTIAL OF SMEs IN COMPUTER PHERIPHERAL INDUSTRY

- Quality Assurance Provided by Tandon
- Fiscal Incentives Provided by Tandon
- Capital Equipment Assistance Provided by Tandon
- Credit Provided by Tandon
- Manufacturing and Technological Assistance Provided by Tandon
- Quality Control Assistance Provided by Tandon
- Thanks to Tandon's Contribution, the Number of SMEs Have Gone Up from 2 to 10 in Computer Peripheral Industry

Singapore --Darling of MNCs

- Houses 6000 MNCs
- Houses 100,000 SMEs

2006 INFLOW OF FDI INTO SINGAPORE

- \$20 Billion in Fixed Asset Investments
- \$10 Billion of Total Business Spending
- Created 21,000 Jobs With 72% in the Professional and Skilled Category

FDI Dynamics

- Favorite Sectors of FDI:
 - Electronics and Precision Engineering with 67% FDI,
 - Chemicals
 - Biomedical Sciences
 - Education
- Major Investors:
 - US
 - EU
 - Japan

Foreign Incubators

- 70 Support Centers Including 10 Foreign Ones
- Under EDB's Enterprise Development Scheme [SEEDS] for Equity Financing, 35% of Startups Had a Foreign Founder or Third-Party Investor, or Both.
- There are More than 10 Foreign National Incubators from:
 - India, Korea, Japan, New Zealand, Israel, Scotland, Germany and Australia

Venture Capital Mecca

- \$15.2 Billion in Venture Capital Funds Are Being Managed by 144 Fund Management Groups, Both International and Homegrown.
- There are Now Over 700 Venture Capital Backed Companies
- 4000 Technopreneurs and Entrepreneurs are Based in Singapore

PRC MNCs in Singapore

- 200 PRC MNCs Operating in Singapore
- 60 MNCs are Technology Based
- 23 are Listed on Singapore Stock Exchange
- Additional 100 PRC MNCs Would be Attracted by EDB to Singapore by 2007

2006 FDI Inflow into Singapore

Fixed Assets Investments By Cluster

Electronics	51.6%
Chemicals	22.5%
Precision Engineering	10.7%
Biomedicals	9.5%

2006 FDI Inflow Dynamics

Fixed Assets Investments by Region

US	27.0%
EU	23.6%
Singapore	21.9%
Japan	19.7%

Managerial Arms of the Singapore Government

- Economic Development Board
- Trade Development Board [IE-Singapore]
- Productivity and Standards Board
- Singapore National Computer Board
- Singapore Tourism Board
- Jurong Town Corporation
- Singapore Housing Development Board

Jurong Town Corporation Owns and Manages the Following Parks

- China-Singapore Suzhou Industrial Park;
- Wuxi-Singapore Industrial Park;
- Vietnam Singapore Industrial Park;
- Hi-Tech Industrial Estate in Thailand;
- IT Park in Bangalore, India;
- Batamindo Industrial Park in Indonesia, and
- Bintan Industrial Estate in Indonesia.

TOURISM 21 : VISION OF A TOURISM CAPITAL

- A country of 4.1 Million People Receive More Than 8 Million International Tourists and \$15 Billion in Foreign Exchange annually
- To Accomplish This Vision/Goal, the Strategies Are Targeting Projects in the Following Areas:
 - Theme Resorts
 - Retail Sales Experience
 - Cruise Business
 - Healthcare/Medical Services
 - Integrated Travel Services and Virtual Travel Exchange
 - Performing Arts
 - Visual Arts
 - Local Flavored Attraction Development
 - Meetings, Incentive Travel, Conventions and Events
 - Integrated Travel Services

Asia's Educational Capital

- Stanford University
- MIT
- Wharton School of Business
- University of Chicago School of Business
- INSEAD
- Technical University of Munich
- Georgia Tech
- Shanghai Jiao Tong University
- John Hopkins Medical School

Singaporean Dream

- Maintain the Leadership of ASEAN
- Develop World Class MNCs
- Have Singapore Presence in Every Corner of the World Via Its Globally Recognized MNCs Such as:
 - PSA
 - SIA
 - Singapore Telecom
 - Raffles Hotel

CONCLUSION: LESSONS TO LEARN FROM SINGAPORE

- Singapore Welcomes MNCs
- Government Offers Custom Designed and Globally Attractive Incentives to Both MNCs and SMEs.
- MNCs Buy Inputs from SMEs
- MNCs Act as Export Arms of SMEs
- Both MNCs and SMEs Prosper
- Singapore Economy is Characterized by Cooperation Between SMEs and MNCs, Free Market Economy, Parliamentary Democracy, Transparency, Zero Corruption and Free Port.

Singapore Factor Scenario

- An American Brand Name Locates its Regional Headquarter in Singapore
- American MNC Taps European Industrial Designers,
- American MNC Contracts Taiwanese Manufacturers,
- American MNC Taps Japanese R&D Expertise,
- American MNC Taps Singaporean Market Know-How With the End Goal of Penetrating the PRC Market
