

# THE AMERICAN BUSINESS PRESENCE IN SINGAPORE 2018



The economic relationship between the U.S. and Singapore, the second- and third-most competitive economies in the world respectively,<sup>1</sup> is dynamic, multifaceted and mutually beneficial. The U.S. – Singapore Bilateral Free Trade Agreement (FTA) has been in force since January 1, 2004.

Singapore is America's largest trading partner in ASEAN, accounting for one fourth of total U.S. exchange with the region.<sup>2</sup> Although Singapore has a relatively small size and population of 5.6 million people, it accounted for the U.S.'s 19<sup>th</sup> largest trading partner and 13<sup>th</sup> largest export market in 2016.<sup>3</sup> Additionally, Singapore is the second largest Asian investor in the U.S. with over US\$70 billion in stock investments<sup>4</sup> and the U.S.'s largest trading partner in Southeast Asia.<sup>5</sup>

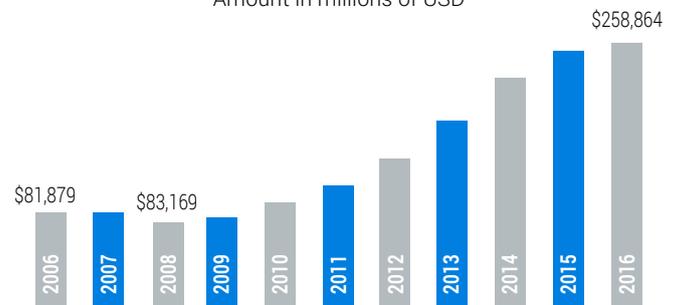
Singapore's robust intellectual property and legal regimes, strategic geographic location and status as the easiest country in the world to do business in have led to its recognition as a premier business hub in the Asia-Pacific region. Approximately **4,200** American companies operate in Singapore, many of which use the country as a regional hub.<sup>6</sup>

## American Companies' Investment Profile

In 2016, U.S. investment in Singapore stood at **US\$258 billion**, a number that has increased every year since 2008 and has more than doubled since 2011.<sup>7</sup>

## U.S. FDI in Singapore

Amount in millions of USD



Singapore's financial and insurance services sector is the most attractive industry to foreign investors and captures half of total inward FDI.<sup>8</sup>

Over half of surveyed American businesses have been based in Singapore for over 20 years; many are also engaged in high value-added and high-tech production.<sup>9</sup>

## Top 10 Industries of American Companies Operating in Singapore for 20+ Years<sup>10</sup>

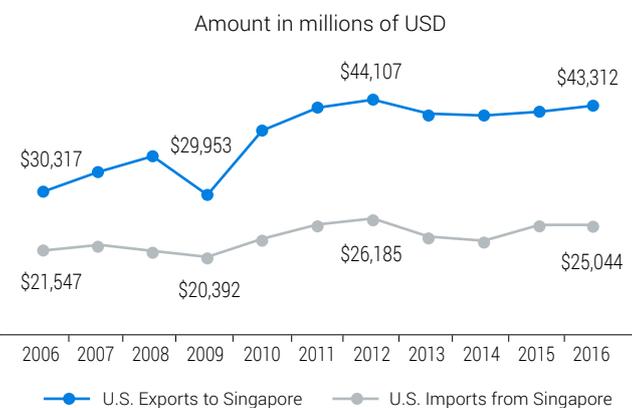
- Banking/Insurance/Other Financial Services
- Consulting
- Pharmaceuticals/Medical
- Electronics
- Aerospace & Defense
- Machinery & Equipment
- Oil & Petrochemical
- Software, IT, & Telecommunications
- Consumer Goods
- Transportation & Logistics

## U.S.—Singapore Bilateral Trade in Goods and Services

Since the establishment of the U.S.-Singapore FTA, bilateral trade has more than doubled, reaching **US\$68 billion** in 2016.<sup>11</sup> The U.S. is Singapore's third largest supplier of imports (after China and Malaysia), accounting for **10.4%**<sup>12</sup> of imports to Singapore and **2%** of exports to the U.S.<sup>13</sup> In 2016, U.S. exports of goods and services to Singapore increased by 1.8% from the previous year and totaled **US\$43.3 billion**.

The U.S. is the fifth largest export market for Singapore, accounting for **5.8%** of all Singapore's exports,<sup>14</sup> while Singapore accounts for **0.9%** of U.S. total imports.<sup>15</sup> In 2016, imports to the U.S. from Singapore remained constant at the 2015 total of **US\$25 billion**.

Bilateral trade was led by capital goods (excluding automotive), which accounted for **34.2%** of American exports and **32.3%** of Singaporean imports. The U.S. trade surplus with Singapore increased to **US\$18.3 billion**.<sup>16</sup>



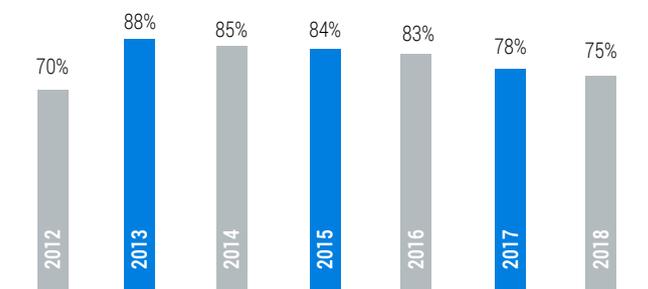
The composition of bilateral trade changed slightly between 2015 and 2016 as the value of services traded increased and value of goods traded declined. The shares of goods and services in 2016 were as follow:<sup>17</sup>

- U.S. exports of *goods* to Singapore - **US\$26.3 billion**, a decrease from US\$28.2 billion in 2015.
- U.S. exports of *services* to Singapore - **US\$16.9 billion**, an increase from US\$14.3 billion in 2015
- U.S. imports of *goods* from Singapore - **US\$17.7 billion**, a decrease from US\$18.3 billion in 2015.
- U.S. imports of *services* from Singapore - **US\$7.2 billion**, an increase from US\$6.7 billion in 2015.

## U.S. Business Optimism

American companies continue to regard the Singaporean business environment highly. Every year since 2012, the vast majority of surveyed American companies in Singapore have expected profits to increase. American businesses of all sectors and sizes are able to succeed in and contribute to Singapore's robust economy.<sup>18</sup>

**% of Surveyed U.S. Businesses in Singapore Expecting Profits to Increase**



## Job Creation

U.S. businesses represent a major source of employment in Singapore. From consulting to finance, American multinational enterprises (MNE) alone account for almost **200,000** employees in Singapore.<sup>19</sup> Over **60%** of surveyed American companies in Singapore employ 50 or more employees.<sup>20</sup>

The vast majority of American MNE and SME companies have a predominantly Singaporean workforce. Almost one-third of AmCham Singapore's member companies report that more than 70% of their workforces are Singaporean nationals.<sup>21</sup> According to Prime Minister Lee Hsien Loong, American companies and investments in Singapore generate "tens of thousands, if not hundreds of thousands" of jobs for Singaporeans.<sup>22</sup>

U.S. businesses also recognize the long-term potential of their Singaporean workforces. Each year since 2010, more than half of surveyed U.S. businesses plan to increase the size of their workforce in Singapore.<sup>23</sup> American companies create high value jobs in knowledge-intensive industries, bringing with them unique expertise, innovation, and new technologies.

## Workforce Investment

American companies strive to hire locally at all levels and invest in developing local talent. Just under half

of AmCham Singapore's member companies (**42%**) report that at least half of their senior level workforce is Singaporean.<sup>24</sup> American companies are also dedicated to equipping their local workforce with key skills and capabilities to further their professional development, remain competitive, and increase their value to the organization. The values and commitments of U.S. businesses exemplify Manpower Minister Tan Chuan-Jin's assessment that Singapore's jobs market "is not a zero-sum game" between foreign and local workers.<sup>25</sup> U.S. businesses in Singapore are committed to enhancing the existing synergies between their foreign and local employees.

### Future Areas of U.S.-Singapore Economic Cooperation

The governments of Singapore and the U.S. are united in their desire to deepen and diversify the U.S.-Singapore trade relationship. Mutually beneficial opportunities exist to develop high-value technology partnerships and enhance cooperation on bilateral tax issues.

In 2016, Singapore and the U.S. signed a Memorandum of Understanding (MOU) to establish a United States-Singapore Collaboration Platform to bolster the e-commerce and financial technology (fintech) sectors. This agreement included the creation of joint capacity-building initiatives for Singapore and American businesses, and the promotion of technology partnerships between businesses of both countries in third-party markets. In this regard, Singapore is a rising regional innovation hub - two out of every five fintech startups within ASEAN are headquartered in Singapore.<sup>26</sup> By exchanging best practices and collaborating on high-value and high-growth industries, Singapore and the U.S. will continue to enhance their trade relationship to the benefit of both countries.

In October, 2017, Singaporean Prime Minister Lee Hsien Loong and American President Donald Trump reiterated their support for closer cooperation on bilateral tax issues.<sup>27</sup> Discussions will continue on whether to negotiate an Avoidance of Double Taxation Agreement in the future, which would build on Singapore and the U.S.'s shared interest in ensuring business competitiveness and preventing profit erosion or profit-shifting.

The robust U.S. Singapore relationship will continue to build on areas of joint opportunity, create mutually beneficial opportunities and collaboratively overcome any challenges that may eventuate.

### Committed to Singapore

U.S. businesses are committed to Singapore. 70% of AmCham Singapore's member companies report an increase in trade and investment over the past two years and 55% expect a further increase over the next two years.<sup>28</sup>

Pledged to corporate citizenship excellence, American companies give back to the community through volunteerism, Corporate Social Responsibility programs, and by working closely with local implementing partners. Areas of engagement include, but are not limited to, youth mentorship programs, food distribution, corporate skills-based engagements, humanitarian relief efforts, and clean drinking water initiatives.<sup>29</sup>

## Endnotes

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- 9 AmCham Singapore. "2018 ASEAN Business Outlook Survey." (<http://www.amcham.org.sg/public-affairspublicationsasean-business-outlook-survey-2018/>)
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