



## THE AMERICAN BUSINESS PRESENCE IN SINGAPORE 2019

The economic relationship between the U.S. and Singapore is dynamic, multifaceted and mutually beneficial, underpinned by the U.S. – Singapore Free Trade Agreement (USSFTA), which has been in force since January 1, 2004.

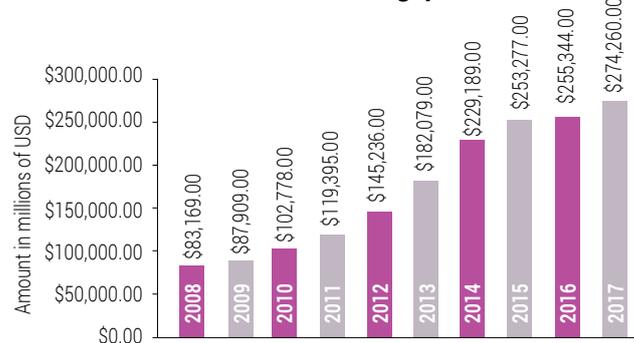
Singapore is America's largest trading partner in ASEAN, accounting for a quarter of the U.S.' total exchange with Southeast Asia.<sup>1</sup> Despite Singapore's relatively small population of 5.6 million people, it was the U.S.'s 18th largest trading partner and 13th largest export market in 2017.<sup>2</sup> Singapore's direct investment in the U.S. has dropped slightly from US\$23.6 billion in 2016 to US\$22.4 billion in 2017.<sup>3</sup> Additionally, Singapore is the second largest Asian investor in the U.S. with US\$73 billion in stock investments.<sup>4</sup>

Singapore's robust intellectual property and legal regimes, strategic geographic location and reputation as business-friendly have led to its recognition as a premier business hub of the wider Asia-Pacific region. Approximately **4,200** American companies operate in Singapore, most using the country as a regional hub.<sup>5</sup>

### American Companies' Investment Profile

In 2017, U.S. investment in Singapore stood at **US\$274.3 billion**, increasing 7% since the previous year, surpassing the investments in China (US\$107.6 billion) and Japan (US\$129.1 billion).<sup>6</sup> The amount of U.S. FDI in Singapore has not only increased every year since 2008, it has more than tripled.<sup>7</sup>

U.S. FDI in Singapore



### Singapore as a Regional Hub for American Businesses

The business environment in Singapore is very strong, with the World Bank consistently picking Singapore as the top country to do business in for the last decade. Moreover, Singapore also ranks the first among Asian countries in terms of global competitiveness for the past 6 years.<sup>8</sup>

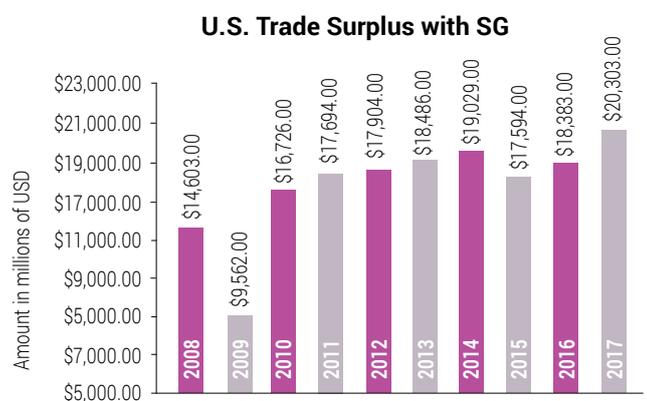
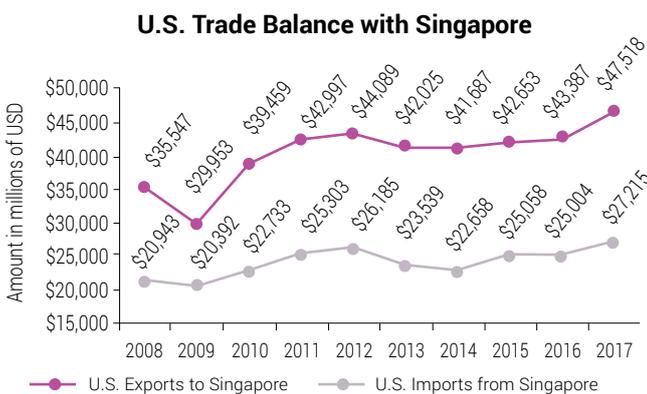
Having also ranked as Asia's top logistics hub for the past 10 years, Singapore "offers world-class connectivity to the region and beyond"<sup>9</sup> with its dynamic airport and growing port. Companies across a wide spectrum of industries have taken advantage of this unrivaled connectivity to set up their global supply chain hubs in the country. American giants like Dell and Hewlett-Packard have already done so<sup>12</sup>, with Singapore acting as a base for more companies to "anchor major logistics and supply chain operations"<sup>11</sup>. A growing number of

American companies could also see added value in setting up their regional or global headquarter functions in the country.

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

Since the USSFTA went into effect, bilateral trade has more than doubled, reaching over **US\$74.7 billion** in 2017.<sup>12</sup> The U.S. is Singapore’s third largest goods trading partner (after China and Malaysia, respectively), accounting for **10.4%**<sup>13</sup> of imports to Singapore. In 2017, U.S. exports of goods and services to Singapore increased by 9.5% from 2016, totaling to **US\$47.5 billion**, and U.S. imports of goods and services from Singapore increased by 8.8%, totaling to **US\$27.2 billion**.<sup>14</sup>

Bilateral trade was led by capital goods (excluding automotive), which accounted for **34%** of American exports and **32%** of Singaporean imports. The U.S. trade surplus with Singapore in 2017 reached **US\$20.3 billion**.<sup>15</sup>



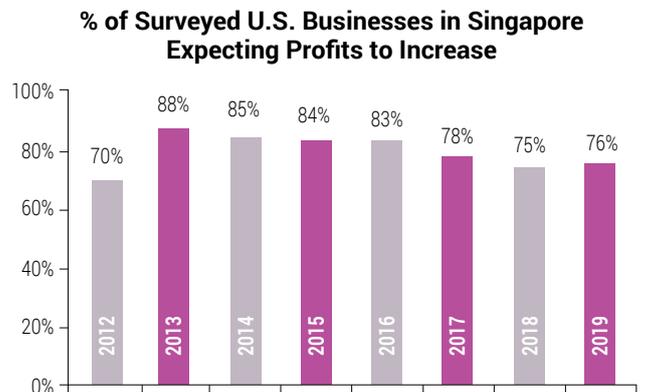
The composition of bilateral trade changed slightly between 2016 and 2017, as both the value of services traded and the value of goods traded increased. The shares of goods and services in 2017 were as follow:<sup>16</sup>

- U.S. exports of *goods* to Singapore - **US\$29.4 billion**, an increase from US\$26.4 billion in 2016.

- U.S. exports of *services* to Singapore - **US\$18 billion**, an increase from US\$16.9 billion in 2016
- U.S. imports of *goods* from Singapore - **US\$19.3 billion**, an increase from US\$17.7 billion in 2016.
- U.S. imports of *services* from Singapore - **US\$7.8 billion**, an increase from US\$7.2 billion in 2016.

### U.S. Business Optimism

American companies continue to regard the Singaporean business environment highly. Every year since surveying begin in 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>17</sup>



### Job Creation

U.S. businesses are a major source of employment in Singapore. From consulting to finance, American multinational enterprises (MNEs) alone account for over **200,000** employees in Singapore.<sup>18</sup> **65%** of surveyed American companies in Singapore employ 50 or more employees.<sup>19</sup>

The vast majority of American MNCs and SMEs have a predominantly Singaporean workforce. 32% of AmCham Singapore’s member companies report that 70% of their workforces are Singaporeans.<sup>20</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>21</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.<sup>22</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 (**43%**) report that at least half of their senior-level workforce is Singaporean.<sup>23</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 then-Manpower Minister Tan Chuan-Jin's assessment in April 2015 that Singapore's jobs market "is not a zero-sum game" between foreign and local workers.<sup>24</sup> U.S. businesses in Singapore are also 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>25</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.

This agreement was renewed in November 2018 with its scope expanded to include cooperation in energy, standards, and advanced manufacturing. Exploring further collaboration to meet the growing infrastructure needs of the region is also an issue of interest for both states<sup>26</sup>.

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.

In November 2018, a Tax Information Exchange Agreement was signed to enhance tax transparency and prevent tax-related crimes. It allows competent authorities in Singapore and the U.S. to request information that is relevant to enforcing tax laws and is accompanied by a reciprocal Inter-Governmental Agreement, which enables automatic exchange of financial accounts information under the U.S. Foreign Account Tax Compliance Act<sup>28</sup>.

In the same month, building on the 2016 MOU on U.S.-Singapore Cybersecurity Cooperation, a Declaration of Intent (DOI) was signed to collaborate on a Singapore-U.S. Cybersecurity Technical Assistance Programme for ASEAN Members. The move seeks to strengthen the cybersecurity capacity of the region by building on Singapore's ASEAN Cyber Capacity Programme (ACCP) and the U.S.' Digital Connectivity and Cybersecurity Partnership initiative and will provide training workshops with key industry partners<sup>29</sup>.

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. 95% of AmCham Singapore's member companies report steadiness or an increase in trade and investment over the past two years and 97% expect consistency or a further increase over the next five years.<sup>30</sup>

American companies also demonstrate a consistent desire to give back to the community through Corporate Social Responsibility programs, which include volunteerism and philanthropy, 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>31</sup>

## Endnotes

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