

## The Genesis of Singapore's Economy

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**Abstract:** The purpose of the article is to study the process of formation and development of the Singapore economy. The study used well-known economic analysis methods. Singapore's transition from traditional trade to trade in high-value-added services was achieved within the framework of four major stages, each of which opened a new page of development. Digital economy, computer programs, information and communication technologies, artificial intelligence, green economy, etc. they have firmly entered into all spheres of the company's activities. High-tech products have become the most important export item of a country whose GDP is increasingly dominated by services. Foreign trade, investment and innovation have made Singapore an international trade and financial center. In conclusion, it can be noted that against the background of great success, Singapore is not without problems. Their solution lies in the adoption of an effective policy to maintain stability and sustainable development in various sectors of the economy.

**Key words:** Singapore, development, foreign trade, innovation, investment, digital economy, computer programs, information and communication technologies, artificial intelligence, green economy, problems, solutions.

The formation and development of Singapore, the achievement of high results were largely predetermined by the chosen economic policy, which contributed to the country's transition from traditional trade to trade in services with high added value. Openness and diversification have strengthened the economy and raised Singapore's rating in the global economy. There are four key stages in Singapore's economic strategy, within which the country achieved high results.

The first stage (1965 - early 1980s) was positioned in the first years of Singapore's independence. At this stage, the country's economic activity was supported by trade with neighboring countries using its own resources.

The second stage. (mid-1980s - 2000s). It was marked by Singapore becoming a center of economic openness and the rapid development of international trade. At this stage, Singapore implemented an active policy of opening up the economy and became an important center of international trade. Singapore signed free trade agreements and bilateral trade agreements with many countries around the world, and the ranks of its trading partners continued to expand. The Third Stage (2000s–2010s): This stage is characterized by a policy of active diversification of trading partners. As globalization deepened, Singapore's range of trading partners began to expand to include Europe, America, and Africa in addition to Asia.

The Fourth Stage (2010s to present): Since this stage, Singapore's trade focus has shifted to trade in high-value-added services, including finance, logistics, information technology, and other products. The country has achieved unprecedented success in its development and has become an example of incredible opportunities with the right economic policies.

The origins of Singapore's foreign trade can be traced back to the colonial period, but trade began to flourish in the post-independence period. During the British colonial period, Singapore's economy was primarily based on port trade, and economic activity was supported by trade with

Britain and other colonies. After independence, Singapore adopted a strategy of primarily focusing on the development of foreign trade and manufacturing. These two development factors allowed the country to obtain the necessary resources and foreign markets. Trade in raw materials and light industry products was built with neighboring countries such as Malaysia and Indonesia. Gradually, firms from China, India and other countries of Southeast Asia became trading partners. The Port of Singapore turned into the largest international trade center in Southeast Asia. Singapore began to actively attract foreign investment and transnational companies. The diversification of trading partners began, actively including such countries as the United States, China and the European Union. The result of the open economy policy was the growth of Singapore's GDP (gross domestic product) from 1980 to 2023 by more than 33 times (from USA \$22.2 billion to USA \$759.5 billion). Today, trade relations between Singapore and its main partners are an important part of the world's economic development. China is one of Singapore's largest trading partners. The United States is the second largest trading partner. Malaysia and Indonesia have maintained traditional partnership relations. Singapore also maintains close economic cooperation with other neighboring countries such as the Philippines, Vietnam and Thailand. The European Union (EU) has become one of Singapore's important trading partners.

An analysis of Singapore's foreign trade turnover shows a very high growth in export volumes. From 2000 to 2022, exports increased more than 4 times and amounted to USA \$880.8 billion. Moreover, the positive balance of trade turnover increased from 2000 to 2022 by more than 14 times (from 11.9 to 169.2 billion USA dollars).

#### Dynamics of Singapore's export and import volumes

Year	Export, billion dollars current prices	Export per capita, USD	Imports, bln. dollars current prices	Import per capita, USD.
2000	181.0	44 642.9	169.1	41 718.7
2005	287.8	66 235.2	249.6	57 442.8
2010	474.8	91 954.7	411.7	79 734.7
2015	549.4	97 242.8	456.3	82 362.0
2020	634.0	107 284.1	525.3	88 889.4
2021	781.1	131 470.3	631.6	106 314.2
2022	870.8	145 725.5	701.6	117 414.5

<https://be5.biz/makroekonomika/export/sg.html> <https://be5.biz/makroekonomika/import/sg.html>

It should be noted that in the period from 2000 to 2022, there was a slight decrease in the share of Singapore's exports in the total export volume of Asian countries from 7.6% to 7.0%. This is explained by the diversification of foreign economic relations and the expansion of the range of external partners (counterparties) from Europe, the USA and Africa. As a result of this policy, the share of Singapore's exports in the world increased from 2.3 to 2.8 percent. Despite this, Singapore was able to maintain its position in the countries of Southeast Asia - its share of exports remains stable at 35.5 - 36.5%.

#### Singapore's Export Share Growth, %

Year	In the world	In Asia	In Southeast Asia
2000	2.3	7.6	35.6
2005	2.2	7.0	37.0
2010	2.5	6.8	37.1
2015	2.6	6.7	36.6
2020	2.8	7.2	36.9
2021	2.8	7.0	37.4
2022	2.8	7.0	36.5

<https://be5.biz/makroekonomika/export/sg.html>

Singapore is a confident leader in foreign economic activity among the countries of its region. For example, the share of exports of countries such as Indonesia or Malaysia in 2022, despite growth, barely reached half of Singapore's export volume: 43 and 46 percent, respectively. And in relation to the world's leading countries, Singapore's exports amounted to 37% of China's exports, 46% of the United States, 62% of Germany, 93% of Great Britain, and 0.95% of France. As for the volume of exports per capita, this figure for 2022 for Indonesia was only 0.8% of Singapore's figure, while for Malaysia it was 6.1%. The world leaders were only slightly ahead of these countries. China had 1.8%, the United States had 6.1%, Germany had 17%, Great Britain had 10%, and France had 9.9% of Singapore's per capita exports.

#### Ratio of Singapore's exports per capita to exports per capita in neighboring countries and world leaders

Country	1970	1980	1990	2000	2010	2020	2022
Singapore	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Indonesia	0.0097	0.016	0.0077	0.0074	0.0082	0.0063	0.0080
Malaysia	0.15	0.10	0.082	0.11	0.084	0.058	0.061
China	0.0028	0.0021	0.0018	0.0050	0.013	0.018	0.018
USA	0.25	0.12	0.098	0.087	0.065	0.060	0.061
Germany	0.36	0.22	0.22	0.16	0.19	0.19	0.17
Great Britain	0.44	0.26	0.19	0.16	0.12	0.11	0.10
France	0.39	0.26	0.20	0.14	0.12	0.10	0.099

<https://be5.biz/makroekonomika/export/sg.html>

The period is 1970-2022. Exports to the United States and Singapore increased by 124.2 times and amounted to 145,725.5 dollars. The average annual increase in exports to the whole country was 2,779.8 dollars and 9.7%.

The actual export of Singapore in 1970 was 2.4 billion. dollar i zanimal 29-e mesto v mire, until v 2022 etot pokazatel sostavil 870.8 bln. dollar It is the 8th largest city in Japan (912.9 billion dollars). The nomenclature for exports of Singapore in 2022 will be in the following positions: integrated circuits, refined matter, machines and devices for the production of semiconductors, gold (for non-commercial purposes), turbojet engines, telephones and other devices for sending and receiving sound, imaging, semiconductor equipment, hardware automatic processing dannyx i ee chasti i dr. And imported: integrated circuit, turbojet engine, gold (for both money and energy), telephone and other equipment for sending and receiving sound, image and other data, machines and equipment for the production of semiconductors, equipment for automatic processing of data, petroleum gas and other hydrocarbon gases, semiconductor devices and others.

Singapore actively participates in the trade and economic integration of the socialist regional liberalization and regional economic cooperation organizations, such as ASEAN and ATES. He is an active member of the World Trade Organization (WTO) and participates in other international trade organizations and cooperation mechanisms.

And the transformation of the economic structure and the modernization of the industry in Singapore has gradually become a private sector with significant development and trade. Pravitelstvo prinyalo ryad mer po sodeystviyu razvitiyu finansov, logistics, information technology, education, medicine and other sphere uslug.

In recent years, Singapore is actively developing new industries, such as digital economy, artificial intelligence and biotechnology, closely related to innovative economy. Pravitelstvo sposobstvuet povysheniyu konkurentosposobnosti v mejdunarodnoy torgovle, formuliuya politikii, podderjivayushchuyu innovatsii i obespechivaya sootvetstvuyushchuyu infrastruktur.

Private foreign investment (PII) in Singapore continues to play an important role in economic development. Oni okhwatyvayut global scale. The main investment areas include Asia, Europe, America and Australia, while China, USA, Great Britain, Australia and other countries have the

main investment objects in Singapore. Vajneyshimi napravleniyami investitsionnoy deyatelnosti vystupayut finansy, proizvodstvo, nevzhimost, uslugi i t. d. In the middle of the financial industry and the sphere of services, there are basic spheres, and financial institutions and transnational companies in Singapore have a large global presence.

From 2010 to 2019. The average growth rate of PII is about 14% per year. Nesmotrya na nekotroie sokrashchenie pritoka PII, Singapore prodoljaet ostavatsya leaderom v regione Yugo-Vostochnoy Azii po stoimostnym obemam nakoplenykh PII. Za 10 let strane udalos uvelichit nakoplenyy obem PII bolee chem v three times. Esli v 2010 g. 633.4 billion dollars. SShA, until v 2020 g. friendship 1885.4 billion dollars. [World Investment Report 2021, www] .

According to the Statistical Bureau of Singapore, in 2021, Singapore will receive 2,478.99 billion Singapore dollars in direct foreign investment, which is more than 3,332.46 billion Singapore dollars, compared to the previous year.

Foreign capital mainly came from the United States (24.1% share), Japan (6.2% share), Great Britain (4.6% share), Hong Kong, China (3.7% share), Canada (3.7% share), Switzerland (3.4% share), Luxembourg (3.1% share), and the Netherlands (2.2% share). Investments were directed to wholesale and retail trade (14.3%), manufacturing (11.5%), professional scientific and technical services and business services (9.1%), transportation (3.5%), and real estate (1.7%).

Today, it is impossible to imagine Singapore without innovation. Due to the rapid growth of the world's needs for technological innovations, the production and export of software products have become the hallmark of modern Singapore. The digital economy, computer programs, information and communication technologies, artificial intelligence, etc. have firmly entered all spheres of society. High-tech products have become the country's most important export item, with services accounting for an increasing share of GDP. The software market size in 2020 was about \$2 billion. This was due to the growth of fintech and enterprise software. An important area of innovation development in 2021 was the launch of the RIE2025 program, with annual investments of SGD 5 billion, in 2022 - accelerated development of technology parks, and in 2023 - support for digital transformation, an emphasis on artificial intelligence (AI) and smart manufacturing.

**Innovation development in Singapore**

<b>Year</b>	<b>Development of innovations</b>	<b>Software market size</b>	<b>Export of software products</b>
<b>2020</b>	Investment in innovation of about SGD 2 billion, support for AI and IOT	Around \$2 billion US, growing through fintech and enterprise software	NODX up 8%, global demand for digitalization increases
<b>2021</b>	Launch of RIE2025 program, annual investment of SGD 5 billion	Cloud Computing and SaaS Demand Surges During Pandemic	Export growth by 4.9%, demand for technological products
<b>2022</b>	The support policy continues, accelerated development of technology parks	The market is expanding, cloud technologies are becoming a growth driver	Export growth slows, up only 2.6%
<b>2023</b>	Supporting digital transformation, focus on AI and smart manufacturing	The software market continues to grow	13.2% fall in September, demand in Southeast Asia weakens
<b>2024-2019</b>	Significant investment in innovation is expected	Average annual growth of 4.82%, projected market size of USD 27.2 billion	Exports are expected to stabilize

<https://www.singstat.gov.sg/modules/infographics/singapore-international-trade>

Singapore's foreign trade, investment and innovation have fuelled economic growth, making it an international trading and financial hub.

Сотрудничая с экономиками всего мира, Сингапур также играет важную роль в глобальных цепочках создания стоимости.

It should be noted that despite its great success, Singapore is not without its challenges. These can be divided into external and internal. As a highly open economy, Singapore is susceptible to fluctuations in external economic conditions. Factors such as global economic instability, rising trade protectionism and geopolitical tensions may have a negative impact on Singapore's external economic relations. With the rapid economic development of neighboring countries, Singapore faces increasingly fierce competition in attracting foreign investment and talent. The low-cost and convenient business environment offered by other countries and regions may threaten Singapore's attractiveness. Singapore's industrial structure relies on high-value-added service industries, and with changes in the global economy and technology, some traditional industries may face external pressure to transform and adjust. An aging population and labor shortage are major internal challenges.

To address these challenges, Singapore needs to adopt effective policies and strategies to maintain a stable and sustainable economic environment.

Singapore needs to address the challenges of industrial restructuring to maintain competitiveness and sustainable development. In cooperation with external economies, Singapore needs to adapt to the changing international political and economic environment, and needs to respond flexibly and adjust its strategies accordingly.

An important task ahead is to improve the digital economy, promote digital transformation, internationalize e-commerce, fintech and digital services, and leverage emerging technologies such as blockchain and artificial intelligence.

Singapore should expand free trade agreements with more countries and regions, reduce trade barriers and expand market access, especially in the Asia-Pacific region and emerging markets.

Ensure sustainable development and a green economy by investing in renewable energy and green technologies, developing green finance and attracting international companies to implement development-related projects in Singapore.

Regional cooperation should be deepened by strengthening ties with ASEAN and other regional organizations, promoting the integration and optimization of regional supply chains, and enhancing the level of economic integration within the region.

In the area of innovation and R&D, it is necessary to increase investment in research and innovation, attract leading international talents and enterprises, and promote the development of new products and services.

It is important to cultivate and deploy talents, strengthen domestic human capital through education and training, and attract international talents to meet the needs of economic development.

Strengthening and upgrading trade infrastructure (ports, airports, and transportation networks) to support growing international trade should also be a priority in the development strategy of the Republic of Singapore.

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