

The CLOUD on SINGAPORE'S HORIZON



When James Dyson, the British billionaire entrepreneur, announced his company would be relocating its HQ to Singapore it provoked grumbling and controversy here in the UK.

But it's not hard to understand the appeal of this city state. Within one generation, Singapore state transformed itself from a third world country to one of the most advanced economies in the world.

Singapore is focused on maintaining its rapid rate of economic growth, and it has a lot going for it - not least a highly skilled workforce.

Citizens' standard of living ranks among the highest in the world, with Mercer, the global consulting group, once again awarding it first place with respect to best places to live in Asia.

Singapore is committed to attracting foreign direct investment. There's no capital gains tax, no inheritance tax, and corporation tax is charged at a mere 17% with a range of further allowances to reduce the final bill.

What's more, the top rate of income tax is levied at 22%, and this only kicks in for those earning over £180,000 a year - making it one of the most attractive tax jurisdictions worldwide.

UK Finance, the banking lobby group, issued a report indicating that the tax burden for banks operating out of London was now running at more than 50 per cent of profits, twice the prevailing rate in low-tax international centres such as Singapore.

The clear message is that Singapore is mounting a real competitive challenge to European financial centres, not least London.

Looking around Singapore one sees a constant stream of activity with new buildings and facilities going up each year. Downtown Singapore is reminiscent of a US city, with banks dominating the skyline. It's well connected, with one of the world's largest maritime ports, and an international airport with flights to a wide array of cities across the region and beyond. Meanwhile, the first phase of the Cross Island Line, Singapore's eighth mass transit link, stretching 50 km, is scheduled to be completed by 2029.

Singapore is planning for the long term. Whole neighbourhoods have been developed to accommodate the city's fast expanding services sector, which comprises three quarters of the economy and employs a similar proportion of the population. Policy makers currently fret about the source of the next wave of innovation: they are highly aware of the need for lateral

thinking and creative thinking. This welcome self-awareness is refreshing.

But whilst Singapore remains the envy of many cities in the region, leading business figures are concerned about maintaining the country's reputation for robust regulatory standards.

Business leaders are worried about damaging cases such as Goldman Sachs' involvement in the 1Malaysia Development Berhad (1MDB) embezzlement scandal and how this might affect Singapore's reputation for transparent transactions.

Given the perceptions of corruption surrounding neighbouring countries such as Malaysia, Indonesia and Myanmar, it is crucial Singapore is seen to be observing the highest standards of financial probity and to dispel concerns over any moves to launder money through what's become the financial services hub of South East Asia.

As the *2019 Index of Economic Freedom* observes, "Singapore owes its success as a highly developed free-market economy in large part to its remarkably open and corruption-free business environment, prudent monetary and fiscal policies, and a transparent legal framework".

Singapore is ranked second worldwide, a reflection of its public reputation for financial probity and its popularity as an international arbitration centre.

However, Singapore must be constantly vigilant, and in this respect, the absence of a critical, independent press is a big minus. Singapore's media, including *The Straits Times*, tend not to be sharply critical of the government - hardly surprising given the fact that it's owned by the state investment arm Temasek Holding.

What's more, all television and radio channels are government owned, while the Media Development Authority (MDA) maintains a close eye on press and social media.

Singapore's reputation for high regulatory standards is now under intense scrutiny as the US Department of Justice and other investigators dig into the details of what precisely took place in the 1MDB case.

It will be worth seeing what steps are taken by the regulatory authorities to ensure that, in future, Singapore maintains its hard-won reputation ●

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