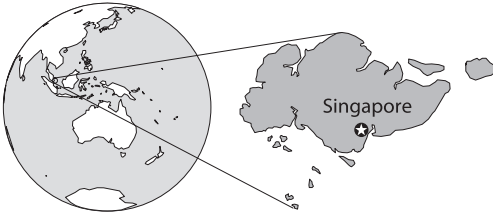


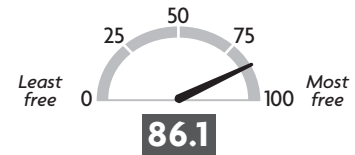
SINGAPORE



World Rank: **2**

Regional Rank: **2**

Economic Freedom Score



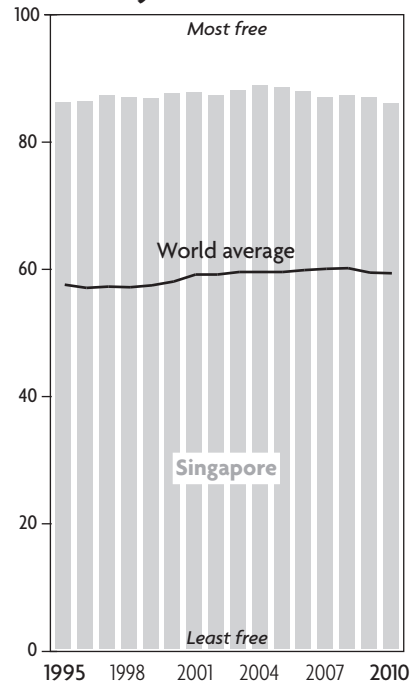
Singapore's economic freedom score is 86.1, making its economy the 2nd freest in the 2010 *Index*. Its score has declined by one point over the past year, due primarily to lower ratings in monetary freedom and investment freedom. Singapore is ranked 2nd out of 41 countries in the Asia-Pacific region, and its overall score remains significantly higher than the world average.

As a result of the global financial and economic turmoil, Singapore's economic growth has slowed significantly, achieving a rate of only about 1 percent in 2008 compared to an average of around 6 percent annually over the past five years. However, with strong fundamentals in place, the economy is likely to rebound quickly. The financial sector has shown considerable resilience, weathering the financial turmoil relatively well.

Flexibility and openness have been the foundation of Singapore's transformation into one of the most competitive and prosperous economies in the world. An efficient regulatory environment encourages vibrant entrepreneurial activity. Commercial operations are handled with transparency and speed, and corruption is perceived to be almost nonexistent. Singapore's very competitive tax regime and highly flexible labor market encourage investment, attracting global companies and enhancing innovation. Foreign and domestic investors are treated equally, and Singapore's legal system is efficient and highly protective of private property.

BACKGROUND: Singapore is a nominally democratic state that has been ruled by the People's Action Party (PAP) since 1965, when the country became independent. Certain rights, such as freedom of assembly and freedom of speech, remain restricted, but the PAP has also embraced economic liberalization and international trade. Singapore is one of the world's most prosperous nations. Its economy is dominated by services, but the country is also a major manufacturer of electronics and chemicals.

Country's Score Over Time



Quick Facts

Population: 4.8 million

GDP (PPP): \$238.5 billion

1.1% growth in 2008

6.1% 5-year compound annual growth

\$49,284 per capita

Unemployment: 2.2%

Inflation (CPI): 6.5%

FDI Inflow: \$22.7 billion

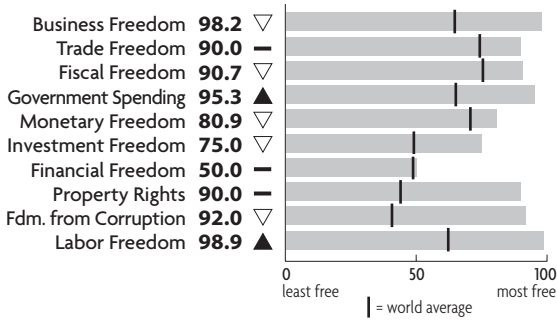
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

SINGAPORE'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 98.2

The overall freedom to conduct a business is well protected under Singapore's regulatory environment. Starting a business takes only three days, compared to the world average of 35 days. Obtaining a business license takes much less than the world average of 18 procedures and 218 days. Bankruptcy is straightforward.

TRADE FREEDOM — 90

Singapore's weighted average tariff rate was 0 percent in 2008, but import and export restrictions, services market barriers, import taxes, import and export licensing, burdensome sanitary and phytosanitary rules, problematic enforcement of intellectual property rights, and export incentive programs add to the cost of trade. Ten points were deducted from Singapore's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 90.7

Singapore has relatively low tax rates. The top income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include a value-added tax (VAT) and a property tax. In the most recent year, overall tax revenue as a percentage of GDP was 14.3 percent.

GOVERNMENT SPENDING — 95.3

Total government expenditures, including consumption and transfer payments, are low. In the most recent year, government spending equaled 12.5 percent of GDP. The state remains involved in the economy through Singapore's many government-linked companies. Plans to open state-owned energy and telecommunications enterprises to private investment have stalled.

MONETARY FREEDOM — 80.9

Inflation has been low, averaging 4.9 percent between 2006 and 2008. The government influences prices through regulation and state-supported enterprises and can impose controls as it deems necessary. Five points were deducted from Singapore's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 75

Foreign and domestic businesses are treated equally, and nearly all sectors are open to 100 percent foreign ownership. Exceptions to the general openness to foreign invest-

ment are telecommunications, broadcasting, domestic news media, financial services, legal and other professional services, and property ownership. The government screens investments for incentive eligibility. Government-linked corporations play a dominant role in the economy. Residents and non-residents may hold foreign exchange accounts. There are no controls or requirements on current transfers, payments, or repatriation of profits. Foreign ownership of certain landed properties is subject to approval, but there are no restrictions on foreign ownership of industrial and commercial real estate.

FINANCIAL FREEDOM — 50

Singapore's modern financial sector is competitive. Bank consolidations have left three dominant banking groups. The largest is the government-controlled Development Bank of Singapore, which is publicly listed. The other two also have significant government-held minority shares. All three have remained relatively profitable throughout the global financial crisis but suffered write-downs of collateralized debt obligations linked to the U.S. sub-prime mortgage market. There were 116 commercial banks as of mid-2009; 110 were foreign. Barriers to foreign banks have been lowered, but the government seeks to maintain the domestic bank share of deposits above 50 percent, and the majority of domestic bank board members must be Singapore citizens and residents. Foreign banks are allocated to three categories: full-service, wholesale, and offshore. Foreign firms compete aggressively in insurance, fund management, and venture capital. With increasing ties with other Asian markets, Singapore's capital markets are well developed. In light of the recent global financial turmoil, the government has stepped in to guarantee all Singapore-dollar and foreign-currency deposits of individuals and non-bank customers in licensed banking institutions. The government has also implemented new programs such as the Bridging Loan Program and has extended existing programs to ensure liquidity in the markets.

PROPERTY RIGHTS — 90

The court system is efficient and protects private property. There is no expropriation, and contracts are secure. Singapore has one of Asia's strongest intellectual property rights regimes, and foreign and local entities may establish, operate, and dispose of their own enterprises.

FREEDOM FROM CORRUPTION — 92

Corruption is perceived as almost nonexistent. Singapore ranks 4th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. The government enforces strong anti-corruption laws. It is a crime for a citizen to bribe a foreign official or any other person, within or outside of Singapore.

LABOR FREEDOM — 98.9

Singapore's labor market is highly flexible. The non-salary cost of employing a worker is low, and dismissing an employee is not burdensome. Regulations related to work hours are very flexible.