

## **Barton Deakin Brief: Singapore-Australia Economic Relationship**

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The Singapore-Australia relationship was recently strengthened when Australian Prime Minister the Hon Tony Abbott MP and Singaporean Prime Minister Lee Hxien Loong signed the [\*Joint declaration by the Prime Ministers of Australia and Singapore on a Comprehensive Strategic Partnership on 23 June 2015\*](#). The *Joint Declaration* outlined a plan for increased cooperation in the fields of trade, economics, defence, foreign affairs and security.

The Republic of Singapore celebrated 50 years of independence this month. 2015 is also the 50 year anniversary of Singapore-Australia relations. Prime Minister Abbott's June visit to Singapore had the goal of increasing engagement between Australia and Singapore and encouraging greater trade and investment between the two countries.

This Brief outlines significant elements in the Singapore – Australia relationship.

### **Singapore-Australia Relationship**

Singapore is Australia's largest trading partner of the Association of Southeast Asian Nations (**ASEAN**) and Australia's fifth largest trading partner in the world. Singapore currently invests more than \$80 billion in Australia, making it Australia's fifth largest foreign investor. Australia currently has \$50 billion invested in Singapore.

Australia's total imports from Singapore were almost \$13 billion in 2014, while total exports to Singapore were over \$8 billion. Major exports include crude petroleum, gold, aircraft manufacturing products, dairy products and liquid natural gas. Australia's major imports from Singapore included refined petroleum, computers, residential petroleum products, telecom equipment and parts and pharmaceutical products.

Singapore and Australia have historically had a strong relationship due to their shared Commonwealth heritage. Singapore and Australia hold similar strategic outlooks in Southeast Asia and the Asia-Pacific region more broadly.

The 2015 *Joint Declaration* expanded on principles and goals set out in the 1996 *Joint Declaration*. This included pledges to develop cultural, political, economic and security ties. This document also set out the framework for the inaugural Singapore-Australian Joint Ministerial Committee (**SAJMC**) held in 1996. Subsequently the SAJMC has met regularly alternating between Australia and Singapore.

Recently Prime Minister Abbott travelled to Singapore to develop and encourage economic strategic ties between Singapore and Australia. Prime Minister Abbott was accompanied by Federal Minister for Trade and Investment the Hon Andrew Robb AO MP, the Premier of Western Australia the Hon Colin Barnett MLA, and the Premier of Queensland the Hon Annastacia Palaszczuk MP, as well as delegates from the Australian business community.



While in Singapore Prime Minister Abbott stated that “Singapore is becoming one of the really great business hubs, economic centres of the worlds, and I think Australians have much to contribute [in Singapore].”

## **Singapore-Australia Free Trade Agreement**

The Singapore-Australia Free Trade Agreement (**SAFTA**) was signed on 28 July 2003, making it one of the earliest FTAs between Australia and its Southeast Asian neighbours. It was amended in 2011, with Singapore and Australia agreeing to accord investors from both countries fair and equitable treatment when investing in the other, and updating the agreement to reflect changes in Australian copyright legislation.

The SAFTA has a number of key focuses, including:

- Tariff elimination;
- Improving the operational environment for financial service providers;
- Reducing red tape around joint ventures by Australian and Singaporean law firms;
- Doubling the number of Australian law degrees recognised in Singapore;
- Reducing residency requirements on Australian citizens, extending short-term entry and right to work for spouses of business people;
- Protection of investors from expropriation;
- Increased cooperation on intellectual property laws, particularly in relation to government tender procedures; and
- Increased cooperation in prevention and prosecution of customs law.

Prime Minister Abbott and Prime Minister Lee announced together in June 2015 a review of the existing SAFTA, to be completed by July 2016. The review would focus on making business relations stronger, and in particular facilitating Singaporean investment in Northern Australia.

The Department of Foreign Affairs and Trade (**DFAT**) has published a factsheet on the Singapore-Australia Free Trade Agreement - click [here](#).

## **Singapore’s Economic Overview**

Singapore is one of the world’s wealthiest countries, using its geographic position to establish itself as a trade and commerce hub in Southeast Asia. It has a trading capacity that is almost three times its Gross Domestic Product (**GDP**) and in 2013 had world’s highest GDP per capita at US\$55,182.

In 2014 Singapore’s GDP growth was 2.9 per cent. In the last year GDP in Singapore grew by 1.7 per cent% in the second quarter, compared to 2.3 per cent% across the same period in 2014. In June 2015 unemployment was estimated at 2 per cent, a slight increase from the previous quarter.

The major industries in Singapore are electronics, finance, manufacturing of resources extraction equipment, pharmaceuticals, rubber products and ship repair. However, the strength of manufacturing, particularly of electronics, has been waning in recent times which has prompted Singapore’s Government to develop its financial sector.



Singapore has key trading relationships with China, Malaysia, Japan, and South Korea. The United States is the 4th highest exporter of goods and services to Singapore.

Singapore is also one of 12 Pacific nations that are currently involved in negotiations to finalise the Trans Pacific Partnership (**TPP**). It was one of four countries, along with New Zealand, Brunei and Chile to conclude the Trans-Pacific Strategic Economic Partnership Agreement in 2005, which formed the basis for the expanded TPP. A third of Australia's exported goods are to countries negotiating the TPP, and together the 12 countries make up 40% of global GDP. The draft TPP is not available currently.

## **Further information**

The Department of Foreign Affairs and Trade Singapore-Australia business guide is available [here](#).

Barton Deakin's Brief on the China-Australia Free Trade Agreement is available [here](#).

Barton Deakin's Brief on the Korea-Australia Free Trade Agreement is available [here](#).

Barton Deakin's Brief on the Australia-India Economic Relationship is available [here](#).

**For further information, please contact [Grahame Morris](#) on +61 411 222 680, [David Alexander](#) on +61 457 400 524, or [Christopher Reside](#) on + 61 400 829 933.**

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