

# Singapore is best positioned as a Healthcare Innovation Hub for ASEAN and South Asia and Companies must build on this position

SOLIDIANCE ASIA PACIFIC  
Principal  
Praneet Mehrotra



## Executive Summary

1. Singapore is a well established FDI destination for investments within ASEAN, even though it is not (amongst) the largest economies - measured by overall GDP.
2. The key reasons why Singapore does the best in attracting foreign investments is a combination of factors, including (but not only limited to) available talent pool, cost-of-labour (relative to available workforce skill sets), political stability and government incentives to promoting investments.
3. Recent Global Competitiveness rankings reflect Singapore's position as the 3rd best in the world, after only Switzerland and Sweden and ahead of every other advanced economy including The United States of America, Germany and Japan, let alone any of the ASEAN economies. This ranking is reflective of Singapore's well established set of factors that comfortably surpass Thailand, Malaysia and Indonesia, the three other ASEAN nations that are among the top 50 nations in the rankings .
4. As a result of Singapore's pre-eminent position as an investment destination in ASEAN, global companies have made it not only its regional headquarters, but also a base for high-value research and development activities.

Further, within the healthcare industry, it is attracting increased investments in this area.

5. Finally, companies must build on Singapore's position not only as a pre-eminent investment destination, but also as a bridge-head to servicing the needs of the ASEAN and South-Asian markets.

## Singapore as an Investment Destination

During the period 2007 through to 2010, Singapore attracted over US\$ 80 billion in cumulative Foreign Direct Investments ( FDI). This was nearly 3 times more than its nearest contender Thailand, that attracted approx. US\$ 28.5 billion in FDI . In fact, FDI inflows as % of GDP is among the highest for Singapore, among ASEAN nations.

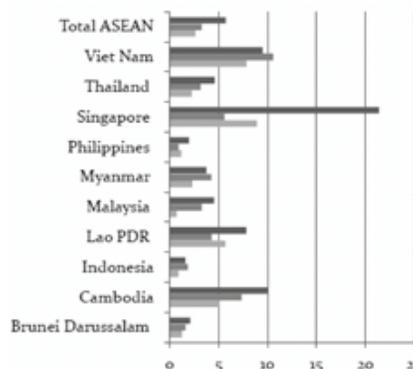


Chart 1: FDI Inflows as a % of GDP  
Data Source: ASEAN Secretariat

<sup>1</sup> Among ASEAN countries

<sup>2</sup> Source: World Economic Forum Global Competitiveness (WEFGC) Report 2010-11

<sup>3</sup> Malaysia is ranked No. 26, Thailand No. 38 and Indonesia No. 44 per the WEFGC report 2010-11

<sup>4</sup> Ranking that is based on factors (or pillars of competitiveness, as the WEFGC report 2010-11 terms it) such as institutions, infrastructure, macro-economic environment, health and primary education (incl. higher education), goods and labour market efficiency indicators, financial market development, technological readiness, market size, business sophistication and innovation

<sup>5</sup> Source: ASEAN Secretariat, Nov 2010

<sup>6</sup> Source: ASEAN Secretariat, Nov 2010

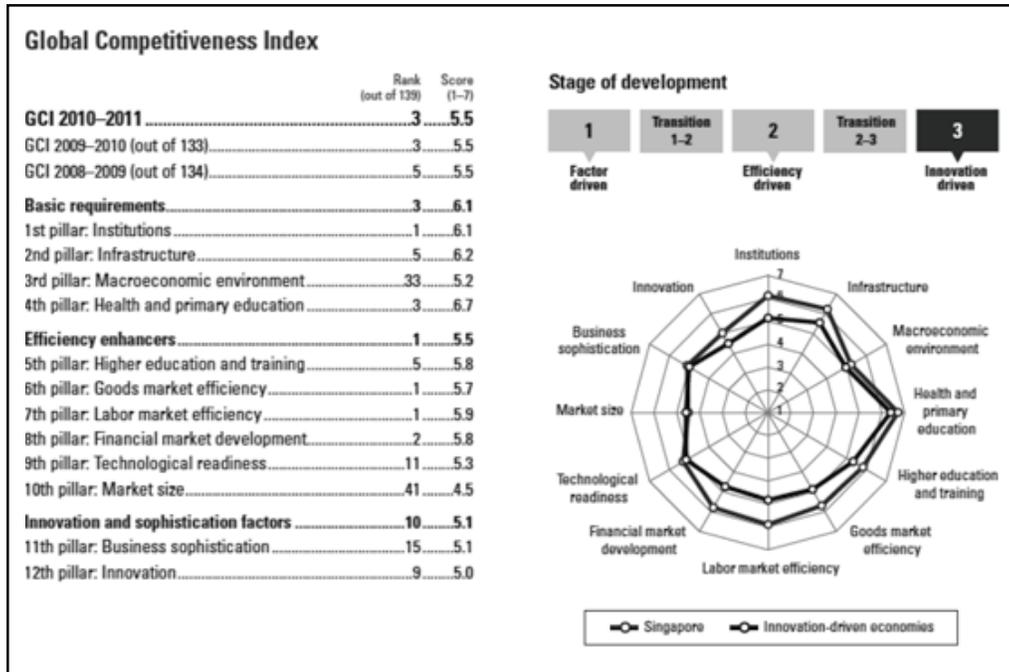


Chart 2: Competitiveness Index – Singapore Country Profile  
Data Source: The WEFGC Report 2010-11

### Key Reasons why Singapore is an Important Investment Destination

Many surveys and reports have documented well the key reasons why Singapore remains amongst the top ranking nations that attracts foreign investments. Every year, the World Economic Forum's Global Competitiveness Report also ranks countries across a well-defined set of criteria that ultimately is used to measure a country's competitiveness relative to others. As such, while Singapore easily scores over its ASEAN peers, but what stands out in the report are the following:

1. While Singapore is ranked Number 3 in the 'basic requirements' set of criteria i.e. in its institutions, its infrastructure, the overall macro-economic environment, health and primary education, it is ranked Number 1 in the 'efficiency enhancers' set of criteria i.e. higher education and training, goods and labour market efficiency, financial market development, technological readiness and market size, it ranks Number 10 in 'innovation and sophistication factors' set of criteria i.e. business sophistication and innovation.

2. It is further important to note, in Singapore's context, especially in the 'innovation and sophistication factors' set of criteria, while it ranks Number 10 overall, some basic elements are well in place. These are quite a few - (i) 'state of cluster development', (ii) University-Industry collaboration in R&D, (iii) Company spending on R&D, (iv) Government procurement of advanced technology products, and (v) Availability of Scientists and Engineers. This requires some explanation on the basis of empirical evidence and below is a snapshot:
  - a. Efforts by the Singapore Government to build industry-specific infrastructure that facilitates cluster development - for instance, what can be easily observed for the development efforts in / for the lifesciences industry - lends itself to laying a solid foundation for facilitating investments.
  - b. Especially in Lifesciences (or alternatively in healthcare) industry, active collaboration is seen between local entities (institutes and hospitals) and industry to conceptualize, develop, test and ultimately, commercialize products for the marketplace. This is not just so for the local market, for that is rather small, but instead for the regional, or even global markets.

<sup>7</sup> The WEFGC report defines *competitiveness* as a set of institutions, policies and factors that determine the level of productivity of a country

Further, agencies such as the Agency for Science, Technology and Research (or AStar) facilitate the interface between researchers and industry in a well structured manner that lends itself to establishing Singapore as a preferred destination that not only brings in investments, but is also future ready.

- c. Finally, an important ingredient is availability of skilled scientists and engineers. This has two dimensions, one is the availability of well-trained local personnel and the other is non-local (or expatriate) personnel. Here, empirical evidence suggests more of the latter than mainly well trained local scientists and engineers. However, Singapore is already well known for being one of the best places to work and live and its (generally) favourable immigration policies well make up for the shortfall that may seem in this aspect.
3. On the other hand, while other ASEAN peers, especially Indonesia, have made progress (in some cases, significant progress) on some or the set of criteria that have improved the overall competitiveness of the country, even though all are far behind (at an overall level) relative to Singapore.

### Singapore is attracting investments for R&D purposes in the Healthcare sector

Over the last 3-4 years (since the financial crisis of 2008-09), estimates suggest that anywhere up to US\$ 2 billion have been invested by corporations in new projects specifically to undertake only research and development activities in the lifesciences (or broadly, healthcare) sector.

1. Firstly, while at an overall absolute level this may not seem large, when compared to its other ASEAN peers, this is seen to be significantly more than what other countries have received.
2. Secondly, when seen in the context of what specific purposes does this money go into, it remains unclear whether all (or most) of it goes into funding new research. Apparently, this ball-park figure includes investments in building and machinery/equipment and other capital items. This means that while the intent is clear for companies to start putting money into new research and development initiatives, this is still rather small and planned only as investments for the future.

Over the last 3-4 years (since the financial crisis of 2008-09), estimates suggest that anywhere up to US\$ 2 billion have been invested by corporations in new projects specifically to undertake only research and development activities in the lifesciences (or broadly, healthcare) sector.

### Singapore is the pre-eminent investment destination

*"Nestle plans to invest S\$ 5.5 Mn. to strengthen its R&D base and also plans to set up its main training for the whole of Asia in Singapore. Singapore was chosen for its well-connected infrastructure, deep talent pool and stable economy."*

- Today Online, 22nd March 2012

*"Completed in 2008, Abbott's nutritional powder manufacturing plant in Singapore is Abbott's first major capital investment in Asia and its largest investment ever. The S\$450 Mn. state-of-the-art facility enables the company to meet increased demand for Abbott nutritional products in the region."*

- Abbott Singapore (2009)

*"Baxter announced the expansion of its Singapore manufacturing facility, with the addition of a biopharmaceutical facility. The company has had a long standing presence in Singapore, producing a number of products for over three (3) decades. The Singapore facility is a one-million-square-foot facility that houses three (3) plants manufacturing products that are marketed in over 60 countries."*

- Baxter (2009)

Hi-tech (R&D and high value products) investments taking place in the healthcare sector

<sup>7</sup> The WEFGC report defines *competitiveness* as a set of institutions, policies and factors that determine the level of productivity of a country



Source: Channel News Asia (April 12, 2012) – The new MedTech Hub was launched on Thursday by Trade and Industry Minister Lim Hng Kiang

Praneet Mehrotra - Principal

Aki Nakamura - Head of Japan Desk  
(Editorial supervision in Japanese translation)