GLOBALIZATION AND FOREIGN DIRECT INVESTMENT (FDI) BEHIND THE SUCCESS OF SINGAPORE

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DECLARATION

I hereby declare that the work in this project paper is my own except for quotations and summaries which have been duly acknowledged.

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ABSTRACT

One remarkable feature of the contemporary world has been the increase of private capital flow in the form of FDI in developing countries. Governments around the world in both advanced and developing countries have been attracting MNCs to invest in their countries. Singapore ever since its separation from Malaysia and gaining independence from 1965 has pursued an aggressive FDI policy. Singapore's physical vulnerability in terms of limited size, limited population, and lack of natural resources made Singapore to adopt globalization process and its component of FDI as a pillar of its economic development. Singapore is perceived as a state obsessed with security and has pursued an active economic foreign policy to achieve economic security. The purpose of this study was to examine the role of FDI in the economic success of Singapore and also to analyze how dependent is Singapore's economy on FDI. In addressing the purpose of this study, the concepts of globalization and liberalism was adopted. Globalization is related to the external element of foreign investment while liberalization is related to the liberal policies and strategies adopted by Singapore to attract FDI. Apart from globalization and liberalization, concept of developmental state is also used in analyzing the strategies adopted by Singapore. This research adopted a qualitative method based on secondary data gathered from books, journals, yearbooks, speeches and statistics from department of statistics, Economic Development Board and Ministry of Trade and Industry. This study found that even a small state with no natural resources like Singapore can emerge as one of the most prominent economies of the world. The main element behind the success of Singapore is the foreign capital or FDI. This study also shows state intervention and planning though not central rigid plan is important for a small state to attain economic success. Singapore's strong state and developmental strategies adopted made a Singapore a heaven for investors. Since Singapore has relied heavily on FDI as part of its economic development, Singapore is also considered vulnerable in terms of its dependency over foreign firms and foreign capital. Hence this paper also addresses the dependency and vulnerability of Singapore in relation to FDI.
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