1. **ANALYSIS OF THE INTERNATIONAL BUSINESS SITUATION**
   1. **Economic, political and legal analysis of the trading country**
      1. **Describe the trading country’s economic system, economic information important to your proposed business/ product/service, the level of foreign investment in that country**

Singapore is one of the most open, and therefore one of the most competitive, markets in the world. Since gaining its independence in 1965, Singapore has experienced rapid economic growth and has maintained a remarkably corruption-free environment. This is a result of its highly efficient economic system, which can best be described as a mixed economy. Singapore strongly advocates free-market practices, including an average zero percent tariff rate on a majority of goods and services. However, government intervention is still evident in the implementation of fiscal policies and the management of major factors of production, such as land, labor, and capital resources. This highly innovative and successful economic system--in which both the market and the state play equal roles in the government--is widely known as the Singapore Model.

In addition to its open market, Singapore’s economic success can also be attributed to its outward-oriented development strategy, meaning the country places a high emphasis on boosting exports and opening up to international trade. International trade is very important for Singapore, as the country has very little natural resources. Its primary export partners are Hong Kong, Malaysia, the United States, and Indonesia, while primary sources of imports are the United States, Malaysia, China, and Japan. Though a large percentage of trade is conducted in order to meet domestic needs, Singapore also regularly imports raw materials to refine and re-export to other nations. The economy of Singapore is highly dependent on exports and was named the 14th largest exporter in 2014.

Over the years, the country’s exports have evolved from labour-intensive to high value-added products, including electronics and biomedical equipment. There has also been an increase in the importance of services, particularly in the financial and business sectors of the economy. The recent success of Singapore’s economy is highly apparent. Between 2000 and 2010, the GDP nearly doubled, growing from about $163 billion to $304 billion. The current GDP is about $307.9 billion, with the GDP per capita at about $56,286. Furthermore, a majority of the population participates in the highly skilled and well-educated labor force. At 2.2%, Singapore’s unemployment rate is one of the lowest in the world.

Although investment in several sectors are restricted, for the most part foreign investment is highly welcomed in Singapore. The globally well-connected and multicultural environment causes many international companies see Singapore as an attractive destination for investment. Its strategic location, excellent reputation, good infrastructure, strong banking system, and attractive tax system further contribute to this nation’s popularity in international business. By setting up base in Singapore, companies can benefit from its extensive network of over 50 Double Taxation Avoidance Agreements, which eliminate the double taxation of the same income in different countries. Furthermore, companies can take advantage of the many free trade agreements Singapore has entered into and its strict Intellectual Property Laws, which ensure that companies’ ideas and innovations are protected. As a result, it is evident why Singapore is ranked not only one of the most competitive Asian countries, but also one of the most investment friendly destinations in the world.

* + 1. **Describe the trading country’s governmental structure and stability, how the government controls trade and private business**

Singapore is a parliamentary republic, a form of government in which the power rests in the hands of the cabinet members and legislative powers. This system, modeled after the Westminster system of parliamentary democracy, was adopted by the former British colony upon its independence. Similar to the United States, there are three branches of government: the judicial, legislative, and executive branches. A majority of executive power lies with the Cabinet, which is responsible for all government policies and the day-to-day administration of the affairs of the state. The Cabinet is led by the Prime Minister who, along with the other members of the Cabinet, are appointed by the President.

Next, the legislative branch consists of a unicameral Parliament and the President. The Singaporean parliament is highly intricate, consisting of 6 major roles: the Speaker of Parliament, the government, Leader of the House, Party Whip, members of the parliament, and the Parliament's secretariat. These members work together in harmony to achieve the three major functions of Parliament--making laws, controlling the state’s finances, and checking on the actions of the governing party. Lastly, the judicial branch is highly comprehensive, consisting of two tiers and practicing English common law. The State Courts, comprising of the district courts, specialized courts, and small claims tribunals, form the first tier. The second tier is the Supreme Court, which hears criminal and civil cases in an attempt to uphold the Constitution, seen as the supreme law of the land.

Though there are twenty-six active political parties in Singapore, the political world is overwhelmingly dominated by the People’s Action Party. Under their power, the government, though committed to maintaining a free market, takes a leadership role in aspects of private business. The government regulates the allocation of land, labor, and capital resources, and often influences many of the prices set by private companies. However, state intervention has proved to have a positive impact on not only private business profitability but also on the general welfare of the population. Beyond the jobs created in the private and public sectors, the government has also provided subsidized housing, education, and health and recreational services.

The governmental structure of Singapore has allowed for the economic performance to reach levels almost unmatched in all of Asia. According to the World Economic Forums Global Competitiveness report, Singapore is ranked fourth in the world and number one in Asia for having the best International Property Rights protections. This means that patent rights are highly respected, limiting the possibility of copyright infringement or the idea theft. Singapore’s business-friendly government, combined with the assurance of intellectual property rights, has led Singapore to become a prime destination for international business ventures.

* + 1. **Describe laws and/or governmental agencies that affect your business/product/service [i.e ., labor laws, trade laws (U.S.A. and/or Canada and foreign)]**

The People’s Action Party (PAP), which has ruled Singapore since 1965, has embraced economic liberalization and international trade. As of 2004, Singapore and the United States have been in a free trade agreement, thus binding all Singapore tariffs for US goods at zero. As a result, trading with Singapore has become easier, faster, and cheaper. Singapore has also established a free trade agreement with the European Union and is their largest trading partner in the Association of Southeast Nations (ASEAN).

The Singapore government has worked hard to promote international business within the country, establishing a set of macroeconomic policies that maintain a promising environment for long-term investment in the country. Fiscal policy is directed primarily at promoting long-term economic growth, allowing Singapore to achieve a consistent budget surplus, strong sovereign credit, and price stability.

The main labor law is the Singapore Employment Act, which provides for the basic terms and working conditions for all types of employees, which a few exceptions. For the most part, the Act covers employees working under a contract of service with an employer, with the exception of managers and executives, seafarers, and civil servants. The relationship between employer and employee in Singapore is largely regulated by the contract of employment between them, as long as they comply with the Employment Act and adhere to certain limits. Though the Act doesn’t regulate a minimum salary or mandate health insurance, it entitles employees to work no more than 44 hours per week, places restrictions on overtime, enforces public holidays, and provides for annual leave, sick leave, and maternity leave.

Another important labor law is the Employment of Foreign Manpower Act, which regulates the employment of foreign employees and protects their well-being. The Act ensures that those issued a work pass by the Ministry of Manpower are guaranteed a fair salary, reasonable hours of work and overtime regulations, public holidays, and annual and sick leaves. Together, these two laws ensure that all those in the labor force are subjected to fair treatment and given compensation for their contributions to the economy.

**B. Trade Area and cultural analysis**

**1. Geographic and demographic information, important customs and traditions, other pertinent cultural information, competitive advantages and disadvantages of the proposed product and/or service**

Singapore is a small peninsula located in the southeastern part of Asia, between Malaysia and Indonesia. Like many of the countries in its region, Singapore has a low elevation, a tropical climate, and two distinct monsoon seasons. Modern Singapore was founded in 1819 by Sir Stamford Raffles of the British East India Company, who took advantage of the country’s strategic location in order to establish trading posts throughout the island. By 1826, Singapore had become one of the crown colonies of the British Empire, its posts attracting thousands of migrants from China, India, and other parts of Asia. The nation fell briefly to Japan during World War II, then regained its position under British military administration in 1945. In 1963 Singapore joined the Federation of Malaysia, then pulled out in 1965, thus finally achieving the status of an independent republic.

Singapore’s rich history has resulted in a wide mix of ethnicities, languages, and religions throughout the small nation. A majority of the population is of Chinese descent (about 74% of the resident population), with substantial Malay (13%) and Indian (9%) minorities. There are four official languages (Mandarin, English, Malay, and Tamil), though dozens of other languages and regional dialects are also spoken. Singapore is also highly diverse in terms of religion, with Buddhism, Islam, Taoism, Catholicism, and Hinduism all being practiced in harmony.

As seen in a majority of Asian countries, Singapore hosts a high context culture. As a result, they strongly emphasize social harmony, nonverbal communication, and collectivism, particularly in business settings. Business in Singapore follows a strict chain of command, therefore elders or the people with the most status is always introduced first and treated with utmost respect. As much of the communication in nonverbal, one must pay particular attention to cues such as facial expressions and body language, rather than relying on the spoken word. It’s also important to understand that when making decisions, the group is always more important than the individual. Furthermore, Singapore culture places a high value on saving face and preserving personal dignity, meaning one should avoid proving another wrong while in a meeting.

Francesca’s Boutiques is likely to be successful in Singapore because the nation has recently experienced a rebirth in the fashion industry, fueled by globalization. As high quality American brand, Francesca’s will hold a strong share of the fashion market. Furthermore, malls and department stores tend to prefer having strong, international brands to local ones. This is because they are less risky than an untested local label and are more likely to push sales with their advertising, promotions budget, and powerful branding. As a result, it is clear that Francesca’s will be welcomed into Singapore as a competitive fashion business.

**2. Market segment analysis target market (age, income level, population estimate, other specific demographic and economic information) customer buying behavior related to the proposed product and or service**

Singapore has a population of about 5.7 million, ranking it as 114 in terms of global population size. A close analysis of Singapore’s population pyramid reveals that a large majority of the population between the ages of 15 and 39, with slightly more females than males. Therefore, it evident that Francesca’s, which is targeted towards teenage to middle-aged women, will be successful in reaching its target market. Furthermore, Singapore is a relatively high income country, the average income per capita reaching almost $57,000. However, income inequality is still rampant, with the top quintile of the population controlling almost 49% of the nation’s wealth. As a result, Francesca’s may only be affordable for a specific percentage of the population.

Despite this, there is no doubt that Francesca’s will do well in Singapore. The nation’s economy has been booming in recent years, meaning people are more comfortable with spending money on items such as clothes and jewelry. Singaporean citizens have always been fashion-conscious and up-to-date on current global trends, as well as open to exotic patterns and bold colors. Francesca’s will be able to meet this demand for trendy clothing while still ensuring quality products and affordable prices.

**3. Analysis of the potential location—importance and requirements of each trade document required by the U.S.A. and/or Canada and the country of choice (8.2)**

**Trade Documents: Bill of Lading & Certificate of Origin (p.187) Proforma Invoice (Look online**

The United States-Singapore Free Trade Agreement (USSFTA) was signed by Prime Minister Goh Chok Tong and President George W. Bush on May 6, 2003. This free trade agreement outlines is highly comprehensive, outlining the duties and obligations of both countries with regard to trade in goods and services, customs procedures, the movement of business persons, intellectual property protection, and the environment. Through there is a free flow of goods between the two nations, Singapore still restricts the importation of certain United States goods, requiring products such as food and medicine to undergo rigorous quality testing before being permitted into the country. The agreement also sets the guidelines for dispute settlement procedures, stating that the parties must first seek to resolve the dispute amicably through negotiation and if this fails, they may then resort to arbitration.

This document has proven to be extremely beneficial to United States and Singapore trade relations. By providing Singapore with tariff concessions, increasing competitiveness in the region, and encouraging business investments, it has ensured that the two nations can trade with minimum obstacles.

[**http://www.fta.gov.sg/fta\_ussfta.asp?hl=13**](http://www.fta.gov.sg/fta_ussfta.asp?hl=13)

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