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To the point!

Cross-Asset- and Strategy-Research

## Postcard from Singapore



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### The prioritization of education bears fruit in the city-state

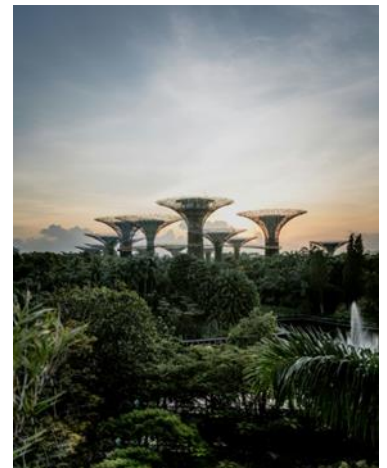
This week, a particularly pleasant occasion brought me to South-east Asia: LBBW celebrated its 30th anniversary in Singapore. Today, the multicultural city-state is one of the bank's major international hubs, alongside London and New York. The team in Singapore has every reason to take pride in the tremendous success they've built there.

However, the trip wasn't all celebrations and congratulations. Much of the dialogue centered around discussions with local experts on economic policy and the growing wave of protectionism worldwide. This emphasis is hardly surprising: if Germany, as an economy, owes its prosperity to open markets and unhindered trade flows, this is even more true for the small island state of Singapore. The exports of this trade-dependent nation amount to over 160% of its GDP, a staggering figure by any standard!

#### Education: leading the way

What's equally impressive is how much Singapore has achieved over the past three decades. Back then, Germany's per capita income was still a quarter higher than Singapore's. Today, that ratio has been completely reversed.

So, what's Singapore's secret? A steadfast focus on education. And the results are indisputable: Singapore's students take home the gold when it comes to [PISA tests](#). No country performs better. Germany, in stark contrast, ranks a mere 25th. Interestingly, an [adult-focused version of the PISA study](#) finds Germany still slightly ahead of Singapore when it comes to adult skills. However, given Singapore's determined educational reforms over the last few decades, I expect Germany to lose even that upper hand before long. What Singapore demonstrates is how



Gardens by the Bay, Singapore  
Foto: isaac. via unsplash.com

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**Singapore  
ranks number 1  
in the PISA test!**

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persistent and forward-thinking prioritization can propel an entire society forward. For both Singapore and Germany, a well-educated population remains the most crucial driver of long-term growth. Neither country is blessed with abundant natural resources. Innovation and ingenuity must take center stage. But innovation doesn't just appear out of thin air – it requires investment. As the saying goes, you get what you pay for (see Fig. 1)!

A lighthouse of business friendliness

While German entrepreneurs frequently complain about bureaucracy and overregulation, Singapore has transformed itself into a remarkably business-friendly environment (see Fig. 2). It has become a magnet for corporate relocation, including German companies. All the more so as Singapore's traditional rival, Hong Kong, continues to lose its edge. Of course, Berlin won't ever become a "Singapore on the Spree" – that much is clear. Moreover, what works for a small, centralized city-state won't necessarily be transferable to Germany's vastly different context. Still, taking a closer look at what Singapore does right and considering what could be adapted would surely be worth the effort.

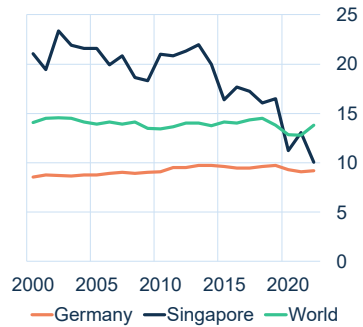
Areas for mutual improvement

There is, however, one aspect of Singapore's model Germany should avoid replicating. The same source underlying Fig. 2 also evaluates the quality of democratic inclusion ("Voice and Accountability"). Here, Germany ranks among the global elite, while Singapore remains firmly in the middle of the pack. Singapore isn't an authoritarian regime, but it's governed as a de facto one-party system, with the People's Action Party (PAP) in uninterrupted control since 1959. This is an area where Singapore could learn something from Germany. That said, Germany must remain vigilant in safeguarding its own strengths. Preserving the integrity of our democratic institutions is not just a task for times of crisis; it's a fight all of us must take up every single day.

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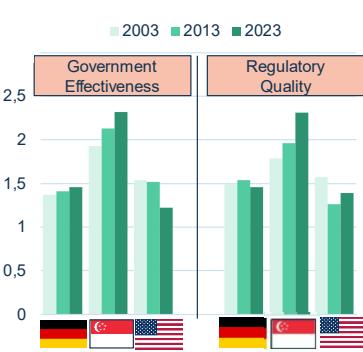
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Fig. 1: Government spending on education (% of total government spending)



Source: World Bank, LBBW Research

Fig. 2: Governance indicators



Source: World Bank, LBBW Research

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