

# SINGAPORE

In 1996, the U.S. trade deficit with Singapore was \$3.7 billion, an increase of \$409 million from the U.S. trade deficit of \$3.2 billion in 1995. U.S. merchandise exports to Singapore were \$16.7 billion, an increase of \$1.4 billion (8.9 percent) from the level of U.S. exports to Singapore in 1995. Singapore was the United States' eighth largest export market in 1996. U.S. imports from Singapore were \$20.3 billion in 1996, an increase of \$1.8 billion (9.6 percent) from the level of imports in 1995.

The stock of U.S. foreign direct investment (FDI) in Singapore in 1995 was \$12.6 billion, an increase of 21.9 percent from the level of U.S. FDI in 1994. U.S. FDI in Singapore is concentrated largely in the manufacturing, petroleum, and financial sectors.

## IMPORT POLICIES

### Tariffs

Singapore imposes tariffs on only four categories of imported goods; 96 percent of imports enter duty-free. In the Uruguay Round of multilateral trade negotiations, Singapore agreed to bind 70 percent of its tariff lines (up from 1 percent), compared to the United States, which has bound 98 percent of its tariff lines. The Uruguay Round Agreements went into force on January 1, 1995.

Singapore still maintains significant tariffs on four categories of products -- cigarettes, alcoholic beverages, automobiles, and gasoline. Currently Singapore applies an excise tax of 30 Singapore dollars (S\$) per liter on distilled spirits whose alcoholic content is less than 46 percent and S\$70 on spirits with alcoholic content greater than 46 percent. Table wine is subject to an excise tax of S\$9.50 per liter. Imported beer and ale have an import duty of S\$0.80 per liter; an excise tax of S\$2.80 is applied to both imported and domestically produced beer and ale. Singapore has committed to continue to reduce the import duty and increase the excise tax on beer and ale over time in order to gradually equalize tax treatment for domestic and imported product.

## GOVERNMENT PROCUREMENT

Singapore initiated negotiations to join the WTO Government Procurement Agreement (GPA) in December 1995, and became a full member of the GPA in 1996.

## EXPORT SUBSIDIES

The Government of Singapore offers three export promotion schemes, available to both local and foreign firms, which fit the World Trade Organization (WTO) definition of subsidies: the international trade incentives program, double taxation deduction, and production for export schemes. Singapore has committed to phase out these programs by 2003, and accepted no applications in 1996 for the production

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for export scheme. There are no complaints from U.S. companies of sales lost due to these schemes; to the contrary, there are occasional inquiries on how to take advantage of them.

### **LACK OF INTELLECTUAL PROPERTY PROTECTION**

According to software associations, Singapore had the lowest piracy rate in Asia in 1995, although software piracy is still a problem. Singapore continued to take concrete measures to improve its level of overall intellectual property protection and to strengthen enforcement in 1996. Singapore is a member of the World Intellectual Property Organization (WIPO) and a party to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), though it did not commit to implementing the TRIPs Agreement by January 1, 1996, the date required of developed countries (Singapore claims developing-country status for WTO implementation). Singapore is not a Party to the Berne Convention or the Universal Copyright Convention.

In 1987, following close consultation with the U.S. Government, Singapore enacted comprehensive copyright legislation which relaxed the burden of proof for copyright owners pressing charges, strengthened civil and criminal penalties, and made unauthorized possession of copyrighted material an offense in certain cases. In January 1991, Singapore similarly strengthened its Trademark Act. Singapore enacted a new Patents Act in 1994, which was amended and strengthened in 1995 to make it consistent with the TRIPs Agreement. The amendments making this law fully TRIPs-consistent came into effect in January 1996.

### **Copyrights**

While Singapore's copyright regime is generally of a high quality, it lacks a provision granting rental rights to copyright holders for sound recordings and software, as required by the TRIPs Agreement. Singapore has said it will bring the law into TRIPs compliance according to the developing country phase-in period. An interagency group is drafting changes to the law, but has not announced a date for implementation. U.S. companies have not reported losses in 1996 due to this TRIPs inconsistency. Computer software piracy remains a problem, although the government markedly stepped up enforcement in 1996, and the courts handed down record fines and jail terms for offenders during the year. In July, two counterfeit software resellers were sentenced to jail for terms of 18 and 20 months, respectively, in a case resulting from a raid conducted by the intellectual property rights (IPR) warrant unit of the Singapore police. Fines in several recent cases of infringement have ranged from \$10,000 to over \$51,000. While commending stepped-up enforcement and deterrent penalties, the software associations say more effort is needed to publicize these actions and that more still can be done by the Government of Singapore on enforcement to combat a recent upswing in pirated software from Malaysia.

Singapore has the lowest software piracy rates in Asia according to recent estimates by industry associations. Industry statistics indicate that Singapore's piracy rate falling from 61 percent in 1994 to 53 percent in 1995. Despite the fall in piracy, losses from counterfeit software rose in 1995 because software retail prices increased. Industry estimates losses at \$40.4 million in 1995, a \$3.1 million increase over 1994. U.S. firms report continuing economic losses from parallel imports due to Singapore's overly broad application of international patent exhaustion. Estimates of losses during 1996 are not yet available.

## **SERVICES BARRIERS**

### **Basic Telecommunications**

In the recently concluded WTO negotiations on basic telecommunications services, Singapore made commitments on all basic telecom services to be phased-in over time. Singapore will provide market access and national treatment for certain services as of January 1, 1998, and will provide these for all services as of April 1, 2000. Singapore adopted the reference paper on regulatory commitments and placed a 74 percent foreign ownership limit on all basic telecom services.

### **Legal Services**

Foreign law firms may only set up offices in Singapore to advise clients on their domestic or international law. They cannot hire or form partnerships with Singaporean lawyers to practice local law in Singapore.

### **Engineering Services**

Effective April 1995, Singapore introduced amendments to its law to allow engineering firms to be 100 percent foreign-owned. However, the chairman and two-thirds of the board of directors must be comprised of engineers, architects, or land surveyors registered with local professional bodies.

### **Insurance**

Singapore has determined that the local insurance market is saturated; as a result, no new licenses for foreign or domestic firms seeking access to Singapore's insurance market had been issued for several years prior to 1996. In 1996 the Government of Singapore admitted one company, Asia Limited, because its introduction of monoline financial guarantee insurance was deemed to bring significant benefits to the industry as a whole. Singapore has stated that acquisition of a domestic company by a foreign company would be permitted only if the domestic company needed additional capital. The reinsurance market in Singapore is open to new entrants and captive insurance licenses are available to subsidiaries of multinationals to underwrite their own risk.

### **Banking and Securities**

Foreign penetration of the banking system of Singapore is comparatively high. Foreign banks account for almost half of all nonbank deposits from residents, more than half of all nonbank loans to residents, 70 percent of total trade financing business in Singapore, and 60 percent of banking profits. The Government of Singapore does impose some restrictions on foreign banks, however. In addition to a longstanding freeze on the number of full banking licenses granted to foreign as well as domestic banks, those banks that already have full licenses do not enjoy full market access. Foreign banks cannot open new branch offices, freely relocate existing branches, or freely operate off-premises automated teller machines (ATMs). In addition, foreign banks are restricted to an aggregate 40 percent equity share in domestic banks in the full license category. Offshore banking licenses for the Asian dollar market are available to new entrants; Singapore actively encourages foreign participation in the offshore market in which U.S. and other foreign

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banks have a substantial presence. Singapore continues to liberalize its Singapore dollar market for offshore bank participation; offshore banks can now grant loans of up to S\$150 million to residents.

In the securities area, foreign equity ownership of members of the stock exchange of Singapore is limited to a minority stake, although foreign firms can join in the exchange with an international membership with 100 percent foreign equity. However, some restrictions apply to international members with respect to the size of the lots they may trade and when executing certain transactions with residents.