

SINGAPORE

In 1997, the U.S. trade deficit with Singapore was \$2.3 billion, a decrease of \$1.3 billion from the U.S. trade deficit of \$3.6 billion in 1996. U.S. merchandise exports to Singapore were \$17.7 billion, an increase of \$1 billion (6.3 percent) from the level of U.S. exports to Singapore in 1996. Singapore was the United States' ninth largest export market in 1997. U.S. imports from Singapore were \$20.1 billion in 1997, a decrease of \$273 million (1.3 percent) from the level of imports in 1996.

The stock of U.S. foreign direct investment (FDI) in Singapore at the end of 1996 was \$14.2 billion, an increase of 11.5 percent from the level a year earlier. U.S. FDI in Singapore is concentrated largely in the manufacturing (notably electronics, industrial chemicals and petroleum) and the financial sectors.

IMPORT POLICIES

Tariffs

Singapore imposes tariffs on only four categories of imported goods -- cigarettes, alcoholic beverages, automobiles, and gasoline -- for public policy and environmental reasons. Approximately 99 percent of Singapore's imports enter duty-free. During 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. As an APEC participant, Singapore has also committed to eliminating all tariffs by 2010 (consistent with the agreed time frame for "developed economies"), and to bind these commitments at the World Trade Organization (WTO).

GOVERNMENT PROCUREMENT

Singapore initiated negotiations to join the WTO Government Procurement Agreement (GPA) in December 1995, and deposited its instrument of accession to the GPA on September 20, 1997. This instrument of accession entered into force for Singapore on October 20, 1997.

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 1997 for the production- for-export scheme.

LACK OF INTELLECTUAL PROPERTY PROTECTION

The Government of Singapore has taken concrete measures to improve the protection of intellectual property rights (IPR) over the years. However, recent trends indicate that Singapore's current IPR regime does not adequately address technological and manufacturing developments as reflected by growing rates of

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piracy. Singapore is a member of the World Intellectual Property Organization (WIPO), and as a member of the WTO must implement the Agreement on Trade-Related Intellectual Property Rights (TRIPS) by not later than January 2000. Singapore is not presently a party to the Berne Convention or the Universal Copyright Convention, but has announced its intention to accede to the former.

In 1987, Singapore enacted strict, 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 1991, Singapore similarly strengthened its trademark law. In 1994, Singapore enacted a new patents act. Although Singapore did not implement the TRIPS Agreement by the January 1996 deadline for developed countries (Singapore has availed itself of the "developing country" transition period under TRIPS), the Government introduced amendments making the patent law fully TRIPS-consistent, effective January 1996. In January 1998, Singapore submitted to parliament draft amendments intended to bring its copyright law into conformity with TRIPS. The amendments were considered by the Parliament on an expedited basis and were enacted in February 1998. The United States is currently evaluating the amended copyright law.

Despite these legislative efforts, however, U.S. industry reports an upsurge in pirated software, video and music CDs and CD-ROMs in the Singaporean market since 1995. U.S. industry estimates that a substantial and growing proportion of these infringing products are produced domestically, but most pirated goods are probably imported into Singapore. This underscores the need for both effective regulation of manufacturing and adequate border enforcement measures. U.S. companies have generally cited the inadequacy of Singapore's "self-policing" system, and are pressing Singapore to assume an even more active and direct role in the investigation and prosecution of IPR cases.

A successful series of raids conducted by the police, assisted by a trade association, in July 1997 resulted in the confiscation of 78,000 pirated music CDs. In another instance, however, an association was unsuccessful in prosecuting a case against a local CD-ROM manufacturer when the association was not permitted to retain relevant business documents seized during the raid of a CD production facility. The Government of Singapore has formed an IPR task force and initiated a number of police raids in early 1998. These efforts, if sustained, are helpful but do not address the need to shift the burden of IPR enforcement which currently rests with rights holders under the self-policing policy to Singaporean authorities. Other outstanding issues include: requirements for licensing CD manufacturers and use of source identification codes, inadequate protections against the trade of bootleg recordings of live musical performances, the limited scope for copyright protection for cinematographic works, and overly broad exceptions from copyright protection.

Recent estimates by trade associations show software piracy losses rising to U.S. \$56.5 million in 1996 from U.S. \$40.4 million in 1995 and U.S. \$37.3 million in 1994. Singapore's piracy rate was estimated to have risen to 59 percent in 1996 from 53 percent in 1995 and 61 percent in 1994. In the area of music CDs, it is estimated that Singapore's CD piracy level (including audio and video CDs, and CD-ROMs) to have risen gradually from 12 percent in 1994 to nearly 17 percent in 1996.

SERVICES BARRIERS

Basic Telecommunications

Singapore's telecommunications sector has been steadily liberalized since 1989. Restrictions on the sale of telecommunication consumer goods and the provision of value-added network services (VANs) have been lifted. Singapore Telecom (SingTel) has been privatized, its monopoly ended, and its regulatory functions assumed by the Telecommunications Authority of Singapore (TAS).

Singapore committed to all regulatory principles in the WTO basic telecom agreement reference paper. Singapore made comprehensive market access commitments in basic services but excluded resale via leased lines connected to the public switched network, for both domestic and international services. Foreign equity limits were liberalized to allow 73.99 percent ownership (49 percent direct and 24.99 percent indirect) in domestic basic telecom service providers. Singapore's WTO commitments require it to issue new licenses for up to two new basic telephone service providers to begin operation in 2000, and additional ones after the year 2000. One U.S. company has formed a joint venture to bid for a basic services license. TAS has not provided specific information regarding further liberalization of fixed-line services, and has stated only that it would consider issuing additional licenses in 2002. TAS has announced that new licenses for up to two more public cellular mobile telephone service operators will be issued in 1998, to begin operation in April 2000. Another U.S. firm has also formed a joint venture to bid for one of the mobile phone service operator licenses to be selected in 1998.

Legal Services

At present, 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. In September 1997, however, the Government appointed a committee chaired by the Attorney-General to study the possibility of allowing foreign law firms to practice local banking and corporate law in order to enhance the country's competitiveness in financial services. The report of the committee is expected during 1998. Beginning in 1997, no foreign university law degrees, with the exception of those from some British universities, are recognized for purposes of admission to practice law in Singapore.

Engineering and Architectural Services

In April 1995, Singapore amended 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. In the case of a partnership, only registered engineers may have a beneficial interest in the capital assets and profits of the partnership, and the business of the partnership must be under control and management of a registered professional engineer which ordinarily reside in Singapore. Similar requirements apply to architectural firms.

Accounting and Tax Services

Public accountants and at least one of the partners of an accounting firm must be effectively resident

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in Singapore. Only public accountants registered with the Public Accountants Board of Singapore can practice as tax consultants.

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 up to 1995. In 1996 and 1997, however, the Monetary Authority of Singapore (MAS) issued new licenses to two foreign-invested companies, *i.e.*, Asia Securitization and Infrastructure Assurance (ASIA) and Global Guaranty Assurance (GGA), which are specialist financial guarantee insurers deemed to fill a niche in the market as a whole. In January 1998, One U.S.-based insurance group acquired a 49 percent stake in a local insurance company. Current MAS policy is that acquisition of a domestic company by a foreign company would be permitted, but limited to a minority stake, only if the domestic company needed additional capital and/or expertise. The existing branch operations and stakes of foreign firms above the 49% limit, however, were protected under Singapore's WTO financial services offer. 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

The MAS has not issued any new licenses for local retail banking over the past two decades (to either foreign or domestic institutions) because it considers Singapore over-banked. As it stands, foreign penetration of the banking system of Singapore is comparatively high. Foreign banks currently hold 22 of the 34 full (local retail) banking licenses. They 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, however, does impose some restrictions on foreign banks. Those foreign banks that already have full licenses do not enjoy full market access—especially in the area of retail banking. Foreign banks cannot open new branch offices, freely relocate existing branches, or freely operate off-premises automated teller machines (ATMs). They are permitted to install electronic terminals at their corporate clients' premises as well as provide home banking services through telephone and personal computers. In addition, foreign banks are restricted to an aggregate 40 percent equity share in domestic banks in the full license category. Meanwhile, the MAS actively encourages the growth of the offshore banking market in which U.S. and other foreign banks have a substantial presence. Offshore banking licenses for the Asian dollar market are available to new entrants. The MAS recently raised the Singapore Dollar (SGD) lending limit for offshore banks (to Singapore-based firms) from SGD 100 to SGD 200 million.

In the securities area, foreign direct equity ownership of members of the Stock Exchange of Singapore (SES) is limited to a minority stake, although foreign firms can join the Exchange as an "international member" with 100 percent foreign equity. Two SES members have foreign equity ownership (direct and indirect) of up to 70 percent, and another eight members have foreign equity ownership of up to 49 percent. There are currently seven SES international members which are permitted to trade freely in Singapore Dollar and foreign currency-denominated SES-listed securities for both residents and non-residents. Transactions in Singapore

Dollar-denominated shares for residents, however, must exceed SGD 5 million per transaction.

OTHER BARRIERS

Singapore is well-regarded for its strong stand and track record against corruption in government and business. In international surveys, Singapore is regularly identified as among those countries with the lowest levels of corruption. When cases of corruption are uncovered, Singapore deals with them harshly, swiftly and publicly. The Prevention of Corruption Act and the Corruption (Confiscation of Benefits) Act provide the legal basis for government action by the corrupt Practices Investigation Bureau, a division of the Prime Minister's Office. These laws cover acts of corruption committed by citizens of Singapore at home and abroad.