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TRADE SUMMARY

The United State's trade surplus with Singapore was \$1.4 billion in 2002, a decrease of \$1.2 billion from 2001. U.S. goods exports in 2002 were \$16.2 billion, down 8.1 percent from the previous year. Corresponding U.S. imports from Singapore were \$14.8 billion, down 1.4 percent. Singapore is currently the 11th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Singapore were \$4.1 billion in 2001 (latest data available), and U.S. imports were \$2.0 billion. Sales of services in Singapore by majority U.S.-owned affiliates were \$5.4 billion in 2000 (latest data available), while sales of services in the United States by majority Singapore-owned firms were \$979 million.

The stock of U.S. foreign direct investment (FDI) in Singapore in 2001 was \$27.3 billion, up from \$25.6 billion in 2000. U.S. FDI in Singapore is concentrated largely in manufacturing, finance and petroleum sectors.

The United States and Singapore completed negotiations of a free trade agreement (FTA). If approved, this FTA would address a number of issues raised in this report.

IMPORT POLICIES

Tariffs

With the exception of four tariff lines covering beer and certain alcoholic beverages, Singapore imposes no tariffs on imported goods. These four remaining tariffs have been eliminated for trade within the ASEAN Free Trade Area, and for trade with New Zealand, Japan and the European Free Trade Association. Singapore has also committed to eliminate them under the provisions of the U.S.-Singapore Free Trade Agreement. However, for social and/or environmental reasons Singapore levies high excise taxes on distilled spirits and wine, tobacco products, motor vehicles (all of which are imported), and gasoline. During the Uruguay Round of multilateral trade negotiations, Singapore agreed to bind 70.5 percent of its tariff lines. Singapore does not impose any restrictions or duties on imports or exports of textiles and apparel.

Singapore is a signatory to the WTO Information Technology Agreement (ITA).

All imported goods (whether for domestic sale or re-export) are taxable under the Goods and Services Tax (GST), which is levied at four percent, effective January 1, 2003, and five percent as of January 1, 2004, unless the goods are specifically given GST relief by the Director General of Customs and Excise. Goods kept in Free Trade Zones are not subject to GST.

Import Licenses

All imports require an import permit, although for most goods this is largely a statistical requirement. Special import licenses are required for certain goods, including strategic items, hazardous chemicals, films and videos, arms and ammunition, as well as prescription drugs, over-the-counter drugs, vitamins with very high dosages of certain nutrients, and cosmetics/skin care products. If approved, Singapore has committed to relax its ban on the sale of chewing gum under the US-Singapore FTA.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Under the Consumer Protection (Safety Requirements) Regulations (1991), 18 electrical appliances, which are potentially hazardous to consumers, must receive the compulsory stamp of approval given by the Singapore Government's standards and certification authority (SPRING Singapore). SPRING Singapore recognizes test reports issued by accredited testing laboratories and national certification bodies. SPRING Singapore has also developed standards for certain sanitary and building products.

Labels are required on imported food, drugs, liquors, paints and solvents. Repackaged foods must be labeled to show (in English) the appropriate designation of the food content printed in capital letters at least 1/16 inch high; whether the foods are compounded, mixed or blended; the minimum quantity stated in metric net weight or measure, the name and address of the manufacturer or seller; and the country of origin.

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GOVERNMENT PROCUREMENT

Government procurement is generally free and open. However, some U.S. firms have expressed concerns that government-owned and government-linked companies (GLCs) may receive preferential treatment in the government procurement process. The Singaporean Government strongly denies that it gives any preferences to GLCs or that GLCs give preferences to other GLCs. Singapore has been a party to the WTO Government Procurement Agreement (GPA) since 1997. If approved, Singapore has committed to provide additional government procurement access to U.S. firms under the US-Singapore FTA.

EXPORT SUBSIDIES

The Singapore Government does not directly subsidize exports, although it offers significant incentives to attract foreign investment, with most incentives directed at export-oriented industries. In addition to tax incentives and reimbursements to exporters for certain costs incurred in trade promotion, the Government also offers grants to new service suppliers.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Intellectual property protection has improved since the late 1990s, leading to the removal of Singapore from the Special 301 Watch List in 2001. Nevertheless, problems remain, including the availability of pirated optical disks, use of unlicensed software by businesses, the failure of local educational institutions to pay compensation for the reproduction of copyrighted works, the transshipment of pirated material through Singapore, and a burdensome process to get pirated material removed from Internet sites. If approved, the U.S.-Singapore FTA would address these issues and provide enhanced protection for U.S. rights owners.

Enforcement

Although the production of pirated material and blatant storefront retail piracy has been sharply reduced (piracy rates for motion pictures and music are now around 20 percent), pirated optical disks continue to be available from vendors in street markets, apartment complexes, outside metro stations and at other high pedestrian volume locations. The Intellectual Property

Rights Branch (IPRB) of the Singapore Police is working to address such activities, but targeting highly mobile pirates is a challenge. The software piracy level in Singapore, while among the lowest in Asia, remains static, and is almost double the level in the United States. The absence of criminal penalties for the use of unlicensed software means that many businesses use unlicensed software, resulting in estimated losses by the business software industry of over \$30 million annually. Under the U.S.-Singapore FTA, Singapore would rectify this problem by amending its law.

Singapore's continued retention of its "self help" policy on IPR enforcement, which treats IPR infringement differently than other theft crimes, places an undue and expensive burden on rights holders to initiate raids and prosecute pirates. Although the IPRB represents an important step away from this approach, the "self help" policy continues to send the wrong message that IPR offenses are not crimes against the public interest. Under the US-Singapore FTA, Singapore has agreed to implement changes to the "self-help" policy, while committing that the government will continue to assume principal responsibility for enforcement.

Some local educational institutions (the majority government-operated) remain out of compliance with their legal obligations to pay royalty fees to publishers in exchange for the right to duplicate copyrighted printed works for use in course materials. The principal universities have reached agreements to pay such compensation to publishers, however, and other institutions are discussing similar arrangements.

Transshipment

Although it is a major transshipment and transit point for sea and air cargo, Singapore does not collect information on the contents and destinations of most transshipment and transit trade, which account for 80 percent of the cargo coming through the port. This lack of information makes enforcement against transshipment or transit trade in infringing products extremely difficult. In addition, it is unclear whether Singapore law provides for the seizure of infringing products that are being transshipped or in transit.

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Internet

If approved, Singapore has committed under the US-Singapore FTA to enhance its legal framework to provide greater protection for digital works, and to modify requirements and procedures for removing infringing material from Internet sites. Singapore has also committed to sign and ratify the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty, which together set basic standards for protecting digital content.

SERVICES BARRIERS

Basic Telecommunications

On April 1, 2000, Singapore removed all barriers limiting foreign entry to the telecommunications sector. Any foreign or domestic company can provide facilities-based (fixed line or mobile) or services-based (local, international, and callback) telecommunications services. The former monopoly telecommunications service provider, Singapore Telecommunications (SingTel), which is 75 percent government-owned, faces competition in all market segments, including fixed-line, mobile, and paging services. However, there are concerns that SingTel charges other operators anticompetitive prices for the use of local leased circuits in the Singapore broadband business market. Singapore's telecommunications regulator, the Infocomm Development Authority (IDA), has not regulated such pricing.

Audiovisual and Media Services

The local free-to-air broadcasting, cable and newspaper sectors are effectively closed to foreign firms. Section 47 of the Broadcasting Act restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to less than 49 percent, although the Act also gives the Media Development Authority (MDA), which replaced the Singapore Broadcasting Authority (SBA), authority to waive this requirement. The MDA, which came into operation on January 1, 2003, is a merger of the SBA, Films and Publications Department and the Singapore Film Commission. The government also imposes limits on individual equity stakes in broadcasting companies. Part X of the Broadcasting Act states that no person shall, without prior approval, hold more than five percent of the shares issued by a broadcasting company (the limit was three

percent before mid-2002). In practice, all current local radio and television broadcasters are government-owned or government-linked. Currently, Singapore Press Holdings (SPH) and MediaCorp are the only two newspaper licensees and broadcasting licensees. Prior to 2000, SPH held the principal newspaper license and MediaCorp the only broadcasting license; now each company operates in both sectors. The exclusivity given to Singapore Cable Vision as the sole provider of pay television services since 1995 ended on June 30, 2002. The Government plans to award a second pay television operating license in mid-2003.

Singapore restricts the importation and use of satellite receiving dishes and has not authorized direct-to-home satellite television services. Under Part VI of the Broadcasting Act, the installation and operation of certain apparatus on which broadcasting services are received, including satellite receiving dishes, is prohibited except under license from the MDA. The Government does not routinely issue licenses for television receive-only satellite receiving systems. Satellite broadcasters that want to operate their own uplink facility must get a special license from MDA. Satellite broadcasters who do not have their own facility are restricted to using one of four available uplink facilities.

The Newspaper and Printing Presses Act restricts equity ownership (local or foreign) to five percent per shareholder (raised from three percent before mid-2002), unless the government approves a larger shareholding, and requires that all the directors of a newspaper company be Singapore citizens. The Act defines "newspaper" broadly as "any publication containing news, intelligence, reports of occurrences, or any remarks, observations or comments...printed in any language and published for sale or free distribution." Newspaper companies must issue two classes of shares, ordinary and management, with the latter only available to citizens of Singapore or Singapore companies who have been approved by the government. Holders of management shares have an effective veto over board decisions.

Any importer, producer, distributor, or exhibitor of newspaper (including newsletters, magazines, periodicals) and audiovisual material, including every film or television

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program shown in Singapore, must be licensed by the MDA. Authority to issue permits for the distribution of publications is discretionary and subject to conditions; the government can deny or revoke permits without warning or without giving a reason. Some foreign news publications are "gazetted," *i.e.*, numerically limited by the government. The publications must carry printed approval notices or control stickers. Audiovisual content that is considered obscene, excessively violent, or capable of provoking racial or religious conflict is subject to censorship. Only organizations whose business is to exhibit films in cinemas or whose objective is to promote the appreciation of films are allowed to screen "Restricted (Artistic)" films. This category includes those films considered to have sexual, violent, religious, or racial themes.

Legal Services

Foreign law firms with offices in Singapore are unable to practice Singapore law, cannot employ Singapore lawyers to practice Singapore law, and cannot litigate in local courts. U.S. law firms can only provide legal services in relation to Singapore law through a Joint Law Venture (JLV) or Formal Law Alliance (FLA) with a Singapore law firm, subject to a series of conditions and requirements.

With the exception of law degrees from six Australian/New Zealand universities and 19 British universities, no foreign university law degrees are recognized for the purpose of admission to practice law in Singapore. If approved, Singapore has committed under the U.S.-Singapore FTA to recognize law degrees from four U.S. law schools.

Engineering and Architectural Services

While engineering firms can be 100 percent foreign-owned, the chairman and two-thirds of the firm's board of directors must comprise engineers, architects, or land surveyors registered with local professional bodies. If approved, Singapore would relax this requirement under the provisions of the U.S.-Singapore FTA. Professional engineering work in Singapore must be under the control and management of a director of the corporation who: (1) is a registered owner of at least one share of the corporation if it is an unlimited corporation; (2) is a registered professional engineer ordinarily resident in Singapore; and (3) has a valid practicing

certificate. In the case of a partnership, only registered engineers may have a beneficial interest in the capital assets and profits of the firm, and the business of the partnership must be under the control and management of a registered professional engineer who ordinarily resides in Singapore. Similar requirements apply to architectural firms. Singapore limits the schools it recognizes as acceptable for qualifying to sit for the local architect exam; in the case of U.S. graduates, it accepts only U.S. schools with a five-year Bachelor of Architecture degree. Applicants must also have a minimum of between 12 months and two years practical experience in Singapore.

Accounting and Tax Services

The major international accounting firms all operate in Singapore. Public accountants and at least one partner of a public accounting firm must reside in Singapore. Only public accountants who are members of the Institute of Certified Public Accountants of Singapore and registered with the Public Accountants Board of Singapore may practice public accountancy in the country.

Banking and Securities

Retail Banking

There are legal distinctions between offshore and domestic banking units, and the type of license held (full, wholesale or offshore).

Prior to 1999, the Monetary Authority of Singapore had not issued new licenses for local retail banking for over two decades to either foreign or domestic institutions because it considered Singapore's banking sector to be saturated. In addition to barring any other foreign banks from entering the retail market, existing foreign banks in Singapore were not allowed to open new branches, freely relocate existing branches, or operate off-premise Automated Teller Machines (ATMs). However, foreign banks were permitted to install electronic terminals at their corporate clients' premises, and to provide home banking services through telephone and personal computers. Aside from retail banking, Singapore laws do not distinguish operationally between foreign and domestic banks.

In 1999, Singapore embarked on a five-year

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banking liberalization program to ease restrictions on foreign banks. Since then, the Government has removed the 40 percent ceiling on foreign ownership of local banks and granted “qualifying full bank” (QFB) licenses to six foreign banks. A QFB license allows these banks to operate up to 15 customer service locations (branches or off-premise ATMs), up to ten of which can be branches; to relocate freely existing branches; and to share ATMs among themselves. They also can provide electronic funds transfer, point-of-sale debit services, accept Central Provident Fund (CPF) fixed deposits, and provide Supplementary Retirement Scheme and CPF Investment Scheme accounts. In December 2002, the Government removed the 20 percent aggregate foreign shareholding limit on finance companies.

Despite liberalization, foreign banks in the domestic retail banking sector still face significant restrictions and are not accorded national treatment. Aside from the limit on the number of foreign QFBs and their customer service locations, the foreign QFBs are not allowed to access the local ATM network. Local retail banks do not face similar constraints. Some foreign charge card issuers also face problems because they are prohibited from allowing their local card holders from accessing their accounts through the local ATM networks. Customers of foreign banks are also unable to access their accounts for cash withdrawals, transfers, or bill payments at ATMs operated by banks other than their own. Acquisition of 5 percent, 12 percent, and 20 percent or more of the voting shares of a local bank requires approval from the Minister of Finance. Moreover, in spite of lifting the formal ceilings on foreign ownership of local banks and finance companies, officials have indicated that they will not allow a foreign takeover of a local bank or finance company. Officials say they want local banks’ share of total resident deposits to remain above 50 percent. Foreign penetration of the banking system in Singapore was comparatively high, with foreign banks holding about 40 percent of non-bank deposits.

If approved, the U.S.-Singapore FTA would address the limits on the number of U.S. QFB banks, the number of customer service locations operated by U.S. QFB, and access to the local ATM network.

Restricted and Offshore Banking

In 2001, the MAS announced plans to replace the current licensing regime which distinguishes between on-shore and offshore activities to one which distinguishes between retail and wholesale activities. The restricted and offshore licenses will progressively be replaced by a Wholesale Bank (WB) license, which will allow wholesale banks to conduct a wider range of activities than restricted or offshore banks. All WBs will be allowed to accept Singapore dollar fixed deposits above S\$250,000, to offer Singapore dollar current accounts, and will not face any limits on the amount of Singapore dollar lending. Over time, the MAS will upgrade all Banks to WB status. The application process will also be open to new foreign bank entrants. License criteria include prudential considerations and the applicants’ current scope of activities and future plans in Singapore.

Restrictions on Singapore Dollar Lending

Non-residents can borrow local currency freely if the proceeds are used in Singapore. Non-residents financial entities may also borrow local currency freely for their activities outside Singapore provided the proceeds are swapped or converted into foreign currency. There are no controls on the borrowing of Singapore dollars by residents.

Securities

In 1999-2000, the government launched a number of initiatives aimed at liberalizing Singapore’s capital markets. As of January 2002, all trading restrictions formerly placed on foreign-owned stockbrokers were removed. However, aggregate investment by foreigners may not exceed 70 percent of the paid-up capital of dealers that are members of the SGX.

New legislation, which took effect in October 2002 allows for the direct registration of foreign funds, provided the prospectus is from an entity registered as a foreign company in Singapore and the fund is approved by the MAS. Formerly, mutual funds and unit trusts had to be registered with the Registry of Companies and Businesses, under the Companies Act, before they could be marketed locally. In practice, this meant that foreign mutual funds had to be registered twice, once in the country of origin and again in Singapore.

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Distribution Services

Most multi-level marketing arrangements, particularly where participants receive compensation for the recruitment of additional participants, are prohibited in Singapore. The restrictions apply equally to both local and foreign arrangements. In December 2001, the Ministry of Trade and Industry revised its Multi-Level Marketing and Pyramid Selling (Excluded Schemes and Arrangements) Order, to clarify which kinds of multi-level marketing arrangements are legal in Singapore. Any Singapore-registered company or citizen/resident is also prohibited from promoting any overseas pyramid selling marketed through the Internet. Insurance, franchise, and direct selling schemes are exempted from the Act.

INVESTMENT BARRIERS

Singapore has a generally open investment regime, and no overarching screening process for foreign investment. However, Singapore maintains limits on foreign investment in broadcasting, the news media, domestic retail banking, property ownership, and in some government-linked companies. The Singaporean Government can and does condition approval of licenses to foreign financial service providers and telecommunications service providers on their agreement to performance requirements or commitments to transfer certain additional functions to Singapore. Singapore's legal framework and public policies are intended to be foreign investor-friendly. Singapore places no restrictions on reinvestment or repatriation of earnings and capital.

ELECTRONIC COMMERCE

There are no significant barriers hindering the development and use of electronic commerce in Singapore. If approved, the U.S.-Singapore FTA contains state-of-the-art provisions on electronic commerce, including national treatment and most favored nation obligations for products delivered electronically, affirmation that services disciplines cover all services delivered electronically, and permanent duty-free status of products delivered electronically.

Singapore considers the Internet to fall within the scope of its restrictions on broadcasting, as outlined in the Broadcasting Act. All Internal

Service Providers (ISPs) must channel all incoming and outgoing Internet traffic through Internet Access Service Providers (IASPs) who function as main "gateways" to the Internet. IASPs must block access to one hundred Internet sites that the Singapore Government considers obscene, excessively violent, or likely to incite racial or religious conflict. The Singapore Government states that the list of sites is updated annually, but the list is not made public, and the process by which sites are placed on the list is not transparent. While other sites may be considered similarly objectionable, no effort is made to block access to sites beyond the one hundred listed sites. ISPs and IASPs are required to be licensed with the MDA. Internet Service Resellers, Internet Content Providers (ICPs), individuals who put up personal web pages, software developers and providers of raw financial information and news wire services do not have to register with the SBA, but ICPs or individuals who provide web pages for political or religious causes must be licensed by the MDA.

OTHER BARRIERS

Singapore has an extensive network of government-owned and government-linked companies (GLCs), which are active in many sectors of the economy. Some sectors, notably telecommunications, power generation/distribution, and financial services, are subject to sector-specific competition regulations and regulatory bodies. Some observers have raised concerns that GLCs may act in anticompetitive ways, a charge government officials strongly deny.

Singapore does not have an umbrella competition law, although the Singapore Government has specific competition regulations governing the telecommunications, finance, and power sectors, and is in the process of drafting a broader law. If approved, the U.S.-Singapore FTA commits Singapore to enact a competition law and authority, and contains disciplines to ensure that GLCs will act as commercial entities, will not discriminate against U.S. goods and services, and will not engage in anticompetitive behavior.