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TRADE SUMMARY

In 2001, the U.S. trade surplus with Singapore was \$2.7 billion, an increase of \$4.1 billion from the U.S. trade deficit of \$1.4 billion in 2000. U.S. goods exports to Singapore totaled \$17.7 billion, a decrease of \$115 million (0.7 percent) from the level of U.S. exports to Singapore in 2000. Singapore was the United States' 11th largest export market in 2001. U.S. imports from Singapore totaled \$15.0 billion in 2001, a decrease of \$4.2 billion (21.9 percent) from the level of imports in 2000.

U.S. exports of private commercial services (i.e., excluding military and government) to Singapore were \$4.8 billion in 2000 (latest data available), and U.S. imports were \$2.2 billion. Sales of services in Singapore by majority U.S.-owned affiliates were \$4.2 billion in 1999 (latest data available), while sales of services in the United States by majority Singapore-owned firms were \$876 million.

The stock of U.S. foreign direct investment (FDI) in Singapore at the end of 2000 was \$23.2 billion. U.S. FDI in Singapore is concentrated largely in manufacturing (notably industrial machinery and equipment, and electronics) and petroleum sectors.

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 were eliminated January 1, 2001, for trade within the ASEAN Free Trade Area and with New Zealand in the context of the Singapore-New Zealand Free Trade Area, and will also be eliminated for Japan when the Japan-Singapore New Age Economic Partnership Agreement takes effect. 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.

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

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.

PSA Insurance serves as an in-house insurer for PSA Corporation, a government-owned entity which operates Singapore's port. PSA Insurance caters exclusively to its parent, although PSA Corporation can also procure insurance directly from private insurers, and has done so on many occasions.

EXPORT SUBSIDIES

The Government of Singapore does not directly subsidize exports, although it offers significant incentives to attract foreign investment, with most incentives directed at export-oriented industries. It also offers tax incentives to exporters and reimburses firms for certain costs incurred in trade

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promotion.

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 discs, 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.

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 discs 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 has a difficult time targeting highly mobile pirates.

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 losses to the business software industry of over \$30 million annually.

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.

Local universities and educational institutions (the majority government-operated) are not in 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, resulting in losses to publishers of about \$2.5 million a year in the higher education sector alone.

Transshipment

Exporting or transshipping pirated and infringing products from or through Singapore is not a criminal offense. The lack of effective criminal sanctions on such activities – and the absence of any measures to ensure that Singapore's port (the world's second busiest transshipment hub) is not misused by criminal elements engaged in IPR piracy – make Singapore a key transit point for pirated products and represent a possible conflict with Singapore's TRIPS obligations. Additionally, Singaporean Government restrictions on information sharing impair investigations involving the transshipment/transit of infringing products through Singapore. Changes to domestic law to make the export, transshipment, or brokering of infringing products a crime, and to enhance the ability of law enforcement agencies to share information with foreign counterparts, would facilitate efforts to address transnational IPR crimes.

Internet

Requirements and procedures for removing infringing material from Internet sites are cumbersome and time consuming, and Internet

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Service Providers (ISPs) have little incentive under current Singapore law to work with copyright holders. Rightsholders who want an ISP to remove infringing material must swear a statutory declaration and provide detailed information; there is no time limit for the ISP to take the material down. ISPs are not liable for allowing websites hosted on their servers to offer and sell pirated products. Also, current law allows up to 10 percent of the bytes of a digital work to be copied; with graphics often taking up the overwhelming majority of bytes, 10 percent of the total bytes can often easily cover all the text of a digital work. Singapore has not signed or ratified the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty, which together set basic standards for protecting digital content.

Other Concerns

Singapore does not require the mandatory use of source identification (SID) codes on every optical disc manufactured, which would help to ensure that domestic producers engage only in legitimate production. Manufacturers can omit the SID code at consumer requests. While optical disc manufacturers in Singapore are subject to a voluntary code of conduct, there appears to be no regular government effort to verify industry compliance with the Code, such as audits or unannounced factory inspections.

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.

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. There are no restrictions on foreign investment in the telecom services sector, or quotas on the number of service providers, although all providers must obtain a license from the Infocomm Development Authority (Singapore's telecom regulator). This complete liberalization goes beyond Singapore's liberalization commitments under the WTO Basic Telecommunications Agreement. The former monopoly telecom service provider, Singapore Telecommunications (SingTel), which is 75 percent government-owned, faces competition in all market segments, including fixed-line, mobile, and paging services.

Audiovisual and Media Services

The local free-to-air broadcasting, cable and newspaper sectors are effectively closed to foreign firms. Section 47 of the Singapore Broadcasting Authority (SBA) Act restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to less than 49-percent, although the Act also gives the SBA authority to waive this requirement. The

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government also imposes limits on individual equity stakes in broadcasting companies. Part X of the SBA Act states that no person shall, without prior SBA approval, hold more than three percent of the shares issued by a broadcasting company. In practice, all current local radio and television broadcasters are government-owned or government-linked. Singapore CableVision is the only licensed private cable company.

Singapore restricts the importation and use of satellite receiving dishes and does not permit direct-to-home satellite television services. Under Part VI of the SBA Act, the installation and operation of certain broadcasting apparatus on which broadcasting services are received, including television receivers and satellite receiving dishes, is prohibited except under license from the SBA. SBA 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 SBA. 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 three percent per shareholder, 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 program shown in Singapore, must be licensed by the Film and Publications Department of the Ministry of Information and the Arts. 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.

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.

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. Professional engineering work in Singapore must be under the control and management of a director of the corporation who:

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(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.

Insurance

Foreign insurance firms are present and active in both the life and non-life insurance sectors in Singapore. In March 2000, the Monetary Authority of Singapore (MAS) lifted a ban on new entrants to local direct insurance market and lifted the 49-percent restriction on foreign ownership of local insurers. MAS said the admission of new entrants would be gradual, asserting that a rush of new entrants might result in the adoption of "unsound, short-term market practices."

Banking and Securities

Retail Banking

Foreign banks in the domestic retail banking sector face significant restrictions and are not accorded national treatment. 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 1999, foreign penetration of the banking system in Singapore was comparatively high, with foreign banks holding up to 23 of the 31 full (local retail) banking licenses, and holding about 40-percent of non-bank deposits.

Singapore officials have stated that they want local banks' share of total resident deposits to remain above 50-percent. 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. In addition, the foreign equity share in full-licensed domestic banks was restricted to an aggregate 40 percent. There are legal distinctions between offshore and domestic banking units, and the type of license held (full, restricted or offshore). Aside from retail banking, Singapore laws do not distinguish operationally between foreign and domestic banks.

In 1999, Singapore embarked on a five-year banking liberalization program to ease restrictions on foreign banks. In May 1999, the Singaporean Government removed the 40-percent ceiling on foreign ownership of local banks, although officials have indicated that they are not inclined to approve any foreign takeover of a local bank. As part of the liberalization, the MAS has granted "qualifying full bank" (QFB) licenses to six foreign banks that allows these banks to operate up to 15 locations (branches or off-premise ATMs), up to ten of

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which can be branches; freely re-locate existing branches; and share ATMs among themselves. USTR has expressed concerns to the Government of Singapore that the QFB licensing process remain transparent and non-discriminatory toward all qualifying foreign banks. QFBs that already have more than ten branches are capped at their present number. As of July 1, 2002, QFB banks will be able to provide electronic funds transfer and point-of-sale debit services (including through the Network for Electronic Transactions system), accept Central Provident Fund (CPF) fixed deposits, and provide Supplementary Retirement Scheme and CPF Investment Scheme accounts. MAS has stated its willingness to grant new banking licenses to Singapore-incorporated banks, or branches of foreign-incorporated Internet-only banks, to set up subsidiaries to pursue new business models, such as Internet-only banks. However, foreign-incorporated banks would still be subject to the existing admission framework for foreign banks.

While six foreign banks have been granted QFB licenses, they and other foreign banks continue to face discrimination on the use and location of branches and ATMs. As noted above, QFBs are limited to up to 15 locations, of which up to ten can be branches. Off-premise ATMs are considered branches, and thus subject to the ten branch restriction imposed on foreign banks. This effectively excludes foreign banks from utilizing the two main local ATM networks, a major competitive disadvantage. Local domestic retail banks do not face similar constraints. Some foreign credit card issuers also face problems because they are prohibited from participating in local bank ATM networks. Customers of foreign banks and local customers of some foreign card issuers are unable to access their accounts for cash withdrawals, transfers, or bill payments at ATMs operated by banks other than their own.

Restricted and Offshore Banking

In addition, the MAS issued additional restricted bank licenses and eight new “qualifying offshore bank” (QOB) licenses to foreign banks located in Singapore, and raised the Singapore dollar lending limit of offshore banks from S\$300 million to S\$500 million (S\$1 billion for QOBs). The MAS also significantly liberalized remaining restrictions on the internationalization of the Singapore dollar. In 2001, the MAS announced plans to replace the current licensing regime distinguishing between on-shore and off-shore activities to one distinguishing 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. The MAS intends initially to award about 20 WB licenses between 2001 and 2002; this includes eight QOBs upgraded in December 2001. Over time, the MAS will upgrade all QOBs and Offshore 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

Both foreign and domestic banks face restrictions on offshore lending in Singapore dollars. Formerly, banks were required to consult the MAS if the credit extended to any single non-resident client exceeds S\$5 million (US\$2.7 million). However, the MAS has relaxed policies separating the domestic capital markets from the offshore market, and this consultation requirement no longer applies if the non-resident is borrowing to trade and invest in Singapore, or to fund activities outside Singapore where the Singapore dollar proceeds are swapped into foreign currency.

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Securities

In 1999-2000, the government launched a number of initiatives aimed at liberalizing Singapore's capital markets, including the phase-out of trading restrictions formerly placed on foreign-owned stockbrokers. As of January 2002, all trading restrictions on Singapore Exchange (SGX) member 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. Currently, mutual funds and unit trusts must be registered with the Registry of Companies and Businesses, under the Companies Act, before they can be marketed locally. In practice, this means that foreign mutual funds must be registered twice, once in the country of origin and again in Singapore. New legislation expected to take effect in mid-2002 will allow direct registration of foreign funds, provided the offer is from an entity registered as a foreign company in Singapore and the fund is approved by the MAS.

Distribution Services

Multi-level marketing and direct selling firms (whether foreign or domestic) face restrictions in Singapore. The Multilevel Marketing and Pyramid Selling (Prohibition) Act was amended in 2000 to strengthen the prohibition on most multi-level marketing arrangements, particularly where participants receive compensation for the recruitment of additional participants. The restrictions apply equally to local and foreign arrangements. 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. 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.

ELECTRONIC COMMERCE

There are no significant barriers hindering the development and use of electronic commerce in Singapore. The Electronic Transaction Act, which came into force in July 1998, provides the legal foundation for electronic commerce transactions.

As noted above, Singapore considers the Internet to fall within the scope of its restrictions on broadcasting, as outlined in the Singapore Broadcasting Authority (SBA) Act. The SBA requires that ISPs 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 Singaporean Government considers obscene, excessively violent, or likely to incite racial or religious conflict are blocked. The list of sites is updated annually. While other sites may be considered similarly objectionable, no effort is made to block access to sites beyond the one hundred listed sites. The list of blocked sites is not made public. ISPs and IASPs are required to be licensed with the SBA. 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 SBA.

OTHER BARRIERS

Singapore has an extensive network of government-owned and government-linked companies (GLCs), 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

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bodies.

Singapore does not have an umbrella competition law. The Singaporean Government's position has long been that such competition legislation is not needed and would reduce flexibility. However, the Singaporean Government has introduced specific competition regulations governing the telecommunications, finance, and power sectors, and is also now reviewing a possible broader law. Some observers have raised concerns that GLCs may act in anticompetitive ways, a charge government officials strongly deny.