

SINGAPORE

TRADE SUMMARY

The U.S. trade surplus with Singapore was \$1.4 billion in 2003, an increase of \$2 million from 2002. U.S. goods exports in 2003 were \$16.6 billion up 2.2 percent from the previous year. Corresponding U.S. imports from Singapore were \$15.2 billion, up 2.4 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 \$5.8 billion in 2002 (latest data available) and U.S. imports were \$2.1 billion. Sales of services by majority U.S.-owned affiliates were \$5.5 billion 2001 (latest data available).

The stock of U.S. foreign direct investment (FDI) in Singapore in 2002 was \$61.4 billion, up from \$26.7 billion in 2001. U.S. FDI in Singapore is concentrated in the manufacturing, wholesale, and information sectors.

A free trade agreement between the United States and Singapore was signed on May 6, 2003 and entered into force on January 1, 2004.

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 under the U.S. - Singapore FTA and under Singapore's other FTAs. 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. The U.S. -Singapore FTA binds all Singapore tariffs at zero for imports from the United States. 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). In addition to the U.S. -Singapore FTA and Singapore's FTAs with ASEAN, New Zealand, Japan, Australia, and the European Free Trade Association, Singapore is negotiating FTAs with Canada, Mexico, India, Sri Lanka, Jordan, Bahrain, Panama and a trilateral agreement with Chile and New Zealand. Singapore is also part of the ASEAN-China FTA and ASEAN-India negotiations.

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

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 agricultural biotechnology products, food derived from agricultural biotechnology products, prescription drugs, over-the-counter drugs, vitamins with very high dosages of certain nutrients, and cosmetics/skin care products. Under the U.S. -Singapore FTA, Singapore now allows the importation of chewing gum with therapeutic value for sale, subject to certain provisions.

STANDARDS, TESTING, LABELING AND CERTIFICATION

SINGAPORE

Under the Consumer Protection (Safety Requirements) Regulations (2002), 45 categories of electrical, electronics and gas home appliances and accessories are listed as controlled goods and require 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. To date, SPRING Singapore has registered more than 22,000 models of controlled goods. 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.

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. The U.S.-Singapore FTA provides additional government procurement access to U.S. firms by expanding the contracts that are subject to FTA disciplines.

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 have remained, including the availability of pirated optical disks, use of unlicensed software by businesses, the transshipment of pirated material through Singapore, and a burdensome process to get pirated material removed from Internet sites. The U.S.-Singapore FTA addresses these issues and provides 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

SINGAPORE

industry of over \$30 million annually. Pursuant to its commitments under the U.S.-Singapore FTA, Singapore is in the process of amending its law to rectify this problem .

Singapore's continued retention of its "self help" policy on IPR enforcement, which treats IPR infringement differently than other theft crimes, has placed an undue and expensive burden on rights holders to initiate raids and prosecute pirates. Under the U.S. -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.

Over the past two years, a number of local educational institutions (the majority government-operated) have signed agreements to come into 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. These agreements appear to resolve a longstanding problem. Some commercial copy centers routinely take orders to copy entire textbooks. While some raids have been conducted, their effectiveness is limited by court action dismissing cases based on trap purchases, under the argument that by undertaking the trap purchase, the copyright owner consented to the piracy. Some publishers complain that enforcement authorities have refused to confiscate infringing works unless they are explicitly included in a search warrant; however, authorities say they are prepared to seize any infringing articles found during a raid, even if not listed in a search warrant, subject to certain conditions.

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. Pursuant to commitments under the U.S. -Singapore FTA, Singapore passed legislation in November 2003 to provide for information sharing with customs authorities of its FTA partners, including the U.S.

Internet

Under the U.S. -Singapore FTA, Singapore agreed 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, by July 1, 2004. Singapore also agreed to sign and ratify the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty, which together set basic standards for protecting digital content, by December 31, 2004.

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, although its main competitors, MobileOne and Starhub are also government-linked companies. However, there are concerns that SingTel charges other operators anticompetitive prices for the use of local leased circuits in the Singapore broadband business market. Under the U.S.-Singapore FTA, Singapore agreed to ensure that major suppliers of leased circuits services provide U.S. enterprises with

SINGAPORE

leased circuit services at rates that are reasonable. A regulation was issued in December 2003 that regulates (and reduces) SingTel's wholesale price for its leased circuits; however, implementation of the regulation is on hold pending resolution of an appeal to the Ministry of Information, Communication, and the Arts.

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. There were no bidders for a second pay television operating license in a government tender held in mid-2003.

Singapore restricts the 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 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.

SINGAPORE

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 the Guidelines for Registration of Foreign Lawyers in Joint Law Ventures to Practice Singapore Law. These conditions have been relaxed for U.S. law firms, pursuant to commitments made by Singapore under the U.S. -Singapore FTA. As of November 1, 2003, there is only one USJLV.

With the exception of law degrees from certain Australian/New Zealand and British universities, no foreign university law degrees are recognized for the purpose of admission to practice law in Singapore. Under the U.S. -Singapore FTA, Singapore will recognize law degrees from four U.S. law schools.

Engineering and Architectural Services

While engineering and architecture 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. Singapore has relaxed this requirement for U.S. engineering and architecture firms 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 the Bachelor of Architecture degree accredited to the U.S. National Architectural Accrediting Board. 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. The Board recognizes U.S. accountants registered with the American Institute of Certified Public Accountants.

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

SINGAPORE

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 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.

The U.S.-Singapore FTA removes most of these restrictions, improving U.S. market access in retail banking in Singapore. The current ban on new licenses for full service banks will be lifted no later than June 30, 2005, and by January 1, 2007 for "wholesale" banks. Licensed full-service U.S. banks will be able to offer all their services at up to 30 locations in the first year after entry into force (January 1, 2004), and an unlimited number of locations within two years. Locally-incorporated subsidiaries of U.S. banks can apply for access to local ATM networks after June 30, 2006. Branches of U.S. banks will get to apply for access by January 1, 2008.

As of January 1, 2004, MAS has allowed one U.S. bank to enjoy increased opportunities, as promised in the U.S.-Singapore FTA. However, there are some concerns that the new and expanded regulatory requirements not negate the benefits of these additional business opportunities.

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 are progressively being replaced by a Wholesale Bank (WB) license, which allows 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.

SINGAPORE

Restrictions on Singapore Dollar Lending

Non-residents can borrow local currency freely if the proceeds are used in Singapore. Non-resident 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.

Distribution Services

Most multi-level marketing arrangements, particularly where participants receive financial compensation for the recruitment of additional participants, are prohibited in Singapore. The restrictions apply equally to both local and foreign arrangements. In January 2002, the Ministry of Trade and Industry implemented 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 businesses licensed under the Insurance Act and its subsidiary legislations, master franchise schemes, and direct selling schemes which meet conditions listed in the Order are exempted from the Act.

INVESTMENT BARRIERS

Singapore has a generally open investment regime, and no overarching screening process for foreign investment. Singapore places no restrictions on reinvestment or repatriation of earnings and capital. 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 has in the past conditioned 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. The U.S.-Singapore FTA prohibits and removes certain performance-related restrictions on U.S. investors, such as limitations on the number of service locations.

ELECTRONIC COMMERCE

There are no significant barriers hindering the development and use of electronic commerce in Singapore. 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

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

Competition

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. The U.S. -Singapore FTA contains specific conduct guarantees to ensure that commercial enterprises in which the Singapore government has effective influence will operate on the basis of commercial considerations and will not discriminate in their treatment of U.S. firms.

Singapore does not have an umbrella competition law, although the Singapore Government has specific competition regulations governing the telecommunications, finance, media and power sectors. Under the U.S. -Singapore FTA, Singapore has committed to adopt a broad competition policy law by 2005. There are also obligations for greater transparency on government enterprises with substantial revenues or assets.

Transparency

The United States welcomes actions by Singapore to circulate more draft laws and regulations for public comment. It is our expectation that all legislation drafted to implement the U.S. – Singapore Free Trade Agreement will be made available for public comment in advance of finalization and submission to Singapore’s Parliament, keeping with the transparency obligations of the FTA.