

SINGAPORE

TRADE SUMMARY

The U.S. goods trade surplus with Singapore was \$5.5 billion in 2005, an increase of \$1.3 billion from \$4.2 billion in 2004. U.S. goods exports in 2005 were \$20.6 billion, up 5.3 percent from the previous year. Corresponding U.S. imports from Singapore were \$15.1 billion, down 1.6 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 \$5.6 billion in 2004 (latest data available), and U.S. imports were \$2.7 billion. Sales of services in Singapore by majority U.S.-owned affiliates were \$6.7 billion in 2003 (latest data available), while sales of services in the United States by majority Singapore-owned firms were \$1.5 billion.

The stock of U.S. foreign direct investment (FDI) in Singapore in 2004 was \$56.9 billion, up from \$50.3 billion in 2003. U.S. FDI in Singapore is concentrated largely in the manufacturing, finance, and information sectors.

FREE TRADE AGREEMENT (FTA)

The United States and Singapore signed a free trade agreement (FTA) on May 6, 2003, which entered into force on January 1, 2004. In addition to the FTA with the United States, Singapore has concluded bilateral FTAs with Australia, the European Free Trade Association, Japan, Jordan, New Zealand, South Korea, India, and Panama, and a quadri-lateral agreement with Chile, New Zealand, and Brunei. Singapore is negotiating FTAs with Bahrain, Canada, Egypt, Mexico, Peru, and Sri Lanka. Singapore is also part of the ASEAN-China FTA negotiations.

IMPORT POLICIES

Tariffs

Singapore generally imposes no tariffs on goods. For goods originating in the United States, it eliminated the last four remaining tariffs covering imports of beer and certain alcoholic beverages when the FTA came into force. For social and/or environmental reasons, however, Singapore levies high excise taxes, applicable to U.S. and other exporters, on distilled spirits and wine, tobacco products, motor vehicles (all of which are imported), and gasoline. Singapore does not impose any restrictions or duties on imports or exports of textiles and apparel. During the Uruguay Round of Multilateral Trade Negotiations, Singapore agreed to bind 70.5 percent of its tariff lines. Singapore is a signatory to the WTO Information Technology Agreement (ITA).

FOREIGN TRADE BARRIERS

Import Licenses

All imports require an import permit, primarily for statistical tracking purposes. Special import licenses are required for certain goods, including designated strategic items, hazardous chemicals, films and videos, arms and ammunition, as well as agricultural biotech 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. As a result of the FTA, Singapore now allows the importation of chewing gum with therapeutic value for sale, subject to certain provisions.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Under the 2002 Consumer Protection (Safety Requirements) Regulations, 45 categories of electrical, electronic, and gas home appliances and accessories are listed as controlled goods and require a stamp of approval from the Government of Singapore's standards and certification authority (SPRING Singapore). SPRING Singapore recognizes test reports issued by accredited testing laboratories and national certification bodies, including those in the United States. Labels conforming to standardized formats are required on imported foods, drugs, liquors, paints, and solvents.

The Singapore government's food import policy is to guarantee a steady and sufficient supply of healthy and quality foods from a broad number of countries. Singapore allows meat and poultry imports solely from countries with which it has protocol agreements. Doing so preserves its rigorous food safety requirements through the integration of foreign farm accreditation, inspection, and regular testing. Export health documentation endorsed by federal health institutions must go with every shipment of imported meat and poultry. In addition, Singapore health authorities test every shipment of imported meat and poultry visually for wholesomeness and to ensure it is free from spoilage and disease. For instance, meat and poultry products samples are sent to government laboratories for evaluation to guarantee that they do not exceed the allowable microbiological specifications for raw meat and poultry products. Singapore's Agri-food and Veterinary Authority (AVA) enforces a zero tolerance for salmonella enteritidis and E-coli E. 0157 in raw meat products, causing concerns among U.S. exporters.

AVA prohibits beef imports from nations in which Bovine Spongiform Encephalopathy (BSE) has been detected, including the United States. Singapore previously required six years of non-BSE detection in a country before re-establishing trade, but has now established a minimum risk rule in line with OIE guidelines. On January 17, 2006, Singapore announced the re-opening of its market to U.S. boneless beef from animals under 30 months of age.

Singapore also requires all meat and poultry exporting countries to have a mark of inspection and to confirm that the bird or animal has been born and raised in the exporting country, which could be viewed as overly restrictive.

The U.S. government is presently coordinating with the Government of Singapore to streamline the certification process for U.S. poultry feet exports to Singapore.

Fresh produce imports are tagged to secure their traceability to farms. Routinely, fresh produce is tested to guarantee that it does not exceed maximum pesticide residue limitations (MRLs).

GOVERNMENT PROCUREMENT

Singapore has been a signatory to the WTO Government Procurement Agreement (GPA) since 1997. The FTA provides additional government procurement access to U.S. firms by expanding the contracts covered by Singapore's GPA commitments, in part by subjecting additional contracts to FTA disciplines. Some U.S. firms, however, have expressed concerns that government-owned and government-linked companies (GLCs) may receive preferential treatment in the government procurement process. Singapore's government denies that it gives any preferences to GLCs or that GLCs give preferences to other GLCs.

EXPORT SUBSIDIES

Singapore's government does not directly subsidize exports, although it offers significant incentives to attract export-oriented foreign investments. In addition to tax incentives and reimbursements to exporters for certain trade promotion costs, the government also offers grants to new service suppliers.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

In line with its FTA commitments, Singapore has developed one of the strongest IPR regimes in Asia. Amendments to the Trademarks Act and the Patents Act, a new Plant Varieties Protection Act, and a new Manufacture of Optical Discs Act came into effect in July 2004. The amended Copyright and Broadcasting Acts became effective in January 2005, and further amendments to the Copyright Act went into effect in August 2005. Singapore has implemented Article 1 to Article 6 of the World Intellectual Property Organization (WIPO) Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks of 1999, and has signed and ratified the International Convention for the Protection of New Varieties of Plants (1991), the Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (1974), the WIPO Copyright Treaty (1996), and the WIPO Performances and Phonograms Treaty (1996). Singapore is a signatory to three other international IPR agreements: the Paris Convention, the Patent Cooperation Treaty, and the Budapest Treaty. The WIPO Secretariat opened offices in Singapore in June 2005.

FOREIGN TRADE BARRIERS

Parallel Imports

Under the amended Patents Act, the patent owner has the right to bring an action to stop an importer of “grey market goods” from importing the patent owner's patented product, if the product has not previously been sold or distributed in Singapore.

Transshipment

Although 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 virtually impossible. In addition, goods in transit are not subject to seizure under the Copyright Act, although it may be possible if a search warrant is obtained in advance. Under its FTA commitments, Singapore passed legislation in November 2003 to provide for information-sharing with U.S. Customs and Border Protection and also with those of its other FTA partners.

Internet

In accordance with the FTA, Singapore’s amended Copyright Act provides improved protection for digital works, and outlines requirements and procedures for removing infringing material from Internet sites. Despite the amendment, the copyright industry maintains that the new law fails to impose full liability on service providers engaged in infringing activity. U.S. industry also maintains that Internet piracy in Singapore is on the rise as a result of the increasing availability of the country’s broadband facilities.

Enforcement

In line with its FTA obligations, Singapore has taken steps to improve IPR protection. Law enforcement efforts have contributed to a sharp reduction in the production of pirated material and blatant storefront retail piracy. According to the Singapore Police, the value of counterfeit and pirated goods seized in 2005 was \$12 million, compared to \$8 million in 2004. In September 2005, the Singapore Police initiated its first corporate end-user enforcement action under the amended Copyright Act, raiding a private company suspected of using approximately \$30,000 in illegal software.

According to industry estimates, Singapore’s music piracy rate averaged 9 percent, while it was roughly 12 percent for movies. Software piracy levels in Singapore, while among the lowest in the Asia-Pacific region are almost double the estimated level in the United States. Business software losses were estimated at nearly \$96 million in 2004.

Over the past few 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.

FOREIGN TRADE BARRIERS

Some commercial copy centers, however, continue to routinely take orders to copy entire textbooks. While the police have conducted some raids, their effectiveness has been limited.

SERVICES BARRIERS

Basic Telecommunications

On April 1, 2000, Singapore began removing 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. Under the Telecoms Competition Code 2000 (Competition Code), the former monopoly (and 62.0 percent government-owned) telecommunications service provider, Singapore Telecommunications (SingTel), faces competition in all market segments, including fixed-line, mobile, and paging services. Its main competitors, MobileOne and StarHub, are also government-linked companies. The Infocomm Development Authority (IDA) finalized its triennial review of the Competition Code, which aims to enhance market transparency, in March 2005. SingTel has implemented most provisions of the Code, including making public its prices for interconnection services.

In October 2005, in accordance with its FTA commitments to reduce wholesale prices for local leased circuits, IDA directed SingTel to amend its Reference Interconnection Offer (RIO) to provide for an appropriate, open-standard technical interface. SingTel has appealed this directive. IDA is expected to issue a decision on SingTel's amended RIO in early 2006. Depending on how the decision is finally implemented, U.S. and other companies remain concerned about whether they will be able to take full advantage of the more competitive pricing structure initially mandated by IDA in December 2003. Under the FTA, Singapore also agreed that dominant licensees (SingTel and StarHub) must offer cost-based access to submarine cable-landing stations and allow sharing of facilities. The interpretation of this commitment has, in some cases, differed from U.S. companies' understandings.

In April 2005, IDA announced its decision to accept SingTel's proposal to exempt eight of the ten services that come under its Dominant Licensee obligations, with provisions to review three of these services in 2007. SingTel is no longer required to file tariffs on these particular services and has more flexibility in packaging and bundling them.

Audiovisual and Media Services

Singapore's 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) authority to waive this requirement. The government also limits individual equity stakes in broadcasting companies to no more than five percent of issued shares.

FOREIGN TRADE BARRIERS

MediaCorp TV is the only free-to-air TV broadcaster. It is 80 percent owned by the government and 20 percent by publicly-listed Singapore Press Holdings (SPH). Under MDA rules, MediaCorp TV must outsource at least 285 hours of local content production to independent television production companies per year. The sole subscription TV provider, StarHub Cable Vision (SCV), is a 100 percent-owned subsidiary of a majority government-owned publicly listed company. Free-to-air radio broadcasters are mainly government-owned, with MediaCorp Radio Singapore being the largest operator. BBC World Service is the only foreign free-to-air broadcaster in Singapore. MDA is considering imposition of restrictive regulations governing the relationships between content/channel providers and pay TV operators in Singapore, i.e., SCV. Singapore restricts the use of satellite receiving dishes and has not authorized direct-to-home satellite television services. MDA must license the installation and operation of broadcast-receiving equipment, including satellite dishes. Satellite broadcasters that want to operate their own uplink facility must get a special license from MDA. Satellite broadcasters lacking 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, unless the government approves a larger shareholding, and requires that all the directors of a newspaper company be Singapore citizens. Newspaper companies must issue two classes of shares, ordinary and management, with the latter available only to citizens of Singapore or to Singapore companies that have been approved by the government.

Media businesses or professionals must be licensed by MDA in order to provide services or apparatus and equipment. Printed and audio material is no longer subject to prior review, but licensees are advised to abide by MDA guidelines. MDA requires all film and video material for distribution and screening to be certified and classified. 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.

Legal Services

U.S. and other foreign law firms with offices in Singapore face certain restrictions. They cannot practice Singapore law, employ Singapore lawyers to practice Singapore law, or litigate in local courts. Since June 1, 2004, U.S. and other foreign lawyers have been allowed to represent parties in arbitration in Singapore without the need for a Singapore attorney to be present. U.S. law firms can provide legal services in relation to Singapore law only 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. Singapore relaxed one of these guidelines for U.S. law firms under the FTA. As of October 2005, 16 of the 62 foreign law firms in Singapore were from the United States. Additionally, there was one U.S. JLV.

FOREIGN TRADE BARRIERS

Except for 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 FTA, Singapore committed to recognizing law degrees from four U.S. law schools. In March 2006, Singapore announced it would recognize degrees from the law schools of Harvard University, Columbia University, New York University, and the University of Michigan.

Engineering and Architectural Services

Engineering and architecture firms can be 100 percent foreign-owned. In line with FTA provisions, and also applicable to all foreign firms, Singapore has removed the requirement that the chairman and two-thirds of the firm's board of directors must be composed of engineers, architects or land surveyors registered with local professional bodies. Practicing engineers and architects must register with the Professional Engineers Board and the Architects Board, respectively. Under amended legislation, local and foreign job applicants, including U.S. degree-holders, will be required to have at least four years of practical experience in engineering or architectural works and pass an examination set by the respective Board.

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

Singapore maintains legal distinctions between offshore and domestic banking units, and the type of license held (full, wholesale or offshore). Except for 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 and supplemented this with phased-in provisions under the FTA. Since then, the government has removed a 40 percent ceiling on foreign ownership of local banks and a 20 percent aggregate foreign shareholding limit on finance companies. It has granted "qualifying full bank" (QFB) or full service licenses to six foreign banks, including two U.S. banks. Since January 2004, under the FTA, U.S. licensed full-service banks have been able to operate at up to 30 customer service locations (branches or off-premise ATMs); non-U.S. foreign full-service banks have been allowed to operate at up to 25 locations since January 2005, up from 15 previously.

These full-service banks can also freely relocate existing branches, and share ATMs among themselves. They also can provide electronic funds transfer, point-of-sale debit, and Central Provident Fund (Singapore's compulsory pension fund) related services.

The FTA obligates Singapore to further improve market access for U.S. banks. In June 2005, Singapore lifted its ban on new licenses for full-service banks, and will do the same for wholesale banks by January 1, 2007. Since January 1, 2006, licensed full-service banks are able to operate at an unlimited number of locations. Locally incorporated subsidiaries of U.S. full-service banks can apply for access to local ATM networks beginning June 30, 2006. Non-locally incorporated subsidiaries of U.S. full-service banks can begin doing so January 1, 2008.

Despite liberalization, foreign banks (including U.S. banks) in the domestic retail banking sector still face barriers. Local retail banks do not face similar constraints on customer service locations or access to the local ATM network. Foreign charge card issuers are prohibited from allowing their local card holders to access 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.

The Minister of Finance must approve acquisition of 5 percent, 12 percent, and 20 percent or more of the voting shares of a local bank. Although it has lifted the formal ceilings on foreign ownership of local banks and finance companies, the government has indicated that it will not allow a foreign takeover of a local financial institution. Foreign penetration of the Singapore banking system is comparatively high, with foreign banks holding about 40 percent of non-bank deposits. The government has stated publicly that it wants local banks' share of total resident deposits to remain above 50 percent.

Restricted and Offshore Banking

Since 2001, Singapore's licensing regime has shifted away from distinguishing between on-shore and offshore banking activities to one that distinguishes between retail and wholesale activities. Over time, the Monetary Authority of Singapore (MAS) intends to upgrade all offshore banks to wholesale bank status, thus enabling them to conduct a wider range of activities. New foreign bank entrants are also eligible to apply for wholesale banking licenses. Unless otherwise approved by MAS, wholesale banks can operate in only one location.

Restrictions on Singapore Dollar Lending

Non-residents can borrow local currency freely if the proceeds are used in Singapore. Non-resident financial entities may borrow local currency freely for their use in or outside Singapore if the amount does not exceed S\$5 million; if it does, the amount must be swapped or converted into foreign currency upon drawdown. There are no controls on the borrowing of Singapore dollars by residents.

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MAS requires banks to report their monthly aggregate outstanding Singapore dollar lending to non-resident financial institutions.

Securities

In January 2002, Singapore removed all trading restrictions on foreign-owned stockbrokers. Aggregate investment by foreigners, however, may not exceed 70 percent of the paid-up capital of dealers that are members of the Singapore Exchange Limited (SGX). Foreign funds may be registered directly, provided the prospectus is from an entity registered as a foreign company in Singapore, and the fund is approved by MAS.

Distribution Services

Beginning January 2002, the Ministry of Trade and Industry implemented a Multi-Level Marketing and Pyramid Selling (Excluded Schemes and Arrangements) Order to clarify which kinds of multi-level and direct marketing/selling arrangements, whether local or foreign, are legal in Singapore. The order prohibits compensation for recruitment of participants. It prohibits any Singapore-registered company or citizen/resident 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 that 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. The investment chapter of the United States-Singapore FTA, which entered into force on January 1, 2004, provides for national and most-favored nation treatment, the right to make financial transfers freely and without delay, disciplines on performance requirements, international law standards for expropriation and compensation, and access to binding international arbitration.

ELECTRONIC COMMERCE

Singapore has no significant barriers hindering the development and use of electronic commerce. The 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 Broadcasting Act. Internet service providers (ISPs) must channel all Internet traffic through Internet access service providers (IASPs) that function as main “gateways” to the Internet.

FOREIGN TRADE BARRIERS

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 Singapore Broadcasting Authority.

OTHER BARRIERS

Competition

The 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. In accordance with its FTA commitments, Singapore enacted the Competition Act in 2004, which will be implemented in three phases. Phase I established the Competition Commission of Singapore in January 2005. Phase II involves implementation of provisions on anti-competitive agreements, decisions and practices, abuse of dominance, enforcement, and the appeals process; these will come into effect during the first half of 2006. Phase III provisions will address mergers and acquisitions and will come into effect in 2007.

The FTA also includes obligations for greater transparency among government enterprises with substantial revenues or assets. Singapore has an extensive network of GLCs that are active in many sectors of the economy. Some sectors, notably telecommunications, power generation/distribution, and financial services, are subject to sector-specific regulatory bodies and competition regulations, typically less rigorous than those being implemented under the Competition Act. Some observers have raised concerns that GLCs may act in anticompetitive ways, a charge government officials strongly deny.

Transparency

The United States welcomes actions by Singapore to circulate more draft laws and regulations for public comment, including those relating to the implementation of the FTA, in keeping with the FTA's transparency obligations.