

# SINGAPORE

## TRADE SUMMARY

The U.S. goods trade surplus with Singapore was \$6.9 billion in 2006, an increase of \$1.4 billion from \$5.5 billion in 2005. U.S. goods exports in 2006 were \$24.7 billion, up 19.6 percent from the previous year. Corresponding U.S. imports from Singapore were \$17.8 billion, up 17.7 percent. Singapore is currently the 9<sup>th</sup> 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 2005 (latest data available), and U.S. imports were \$3.7 billion. Sales of services in Singapore by majority U.S.-owned affiliates were \$6.2 billion in 2004 (latest data available), while sales of services in the United States by majority Singapore-owned firms were \$1.6 billion.

The stock of U.S. foreign direct investment (FDI) in Singapore in 2005 was \$48.1 billion (latest data available), down from \$57.1 billion in 2004. U.S. FDI in Singapore is concentrated largely in the manufacturing, wholesale trade, information, and professional scientific and technical services 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. It was the first comprehensive FTA the United States concluded with an Asian country, eliminating most tariffs immediately upon entry into force of the FTA, and making important advances in many key areas. Among other benefits, the FTA provides strong disciplines in the most competitive U.S. service sectors, enhances protection for intellectual property, makes specific commitments regarding the conduct of Singapore's government enterprises and provides strong and transparent disciplines on government procurement. The FTA also includes commitments to prevent illegal transshipments of all traded goods and to prevent circumvention for textiles and apparel as well as requirements to effectively enforce domestic labor and environmental laws. Since the FTA was implemented, exports from the United States have increased 49 percent through 2006, with steady growth in medical devices, machinery and construction equipment exports, and significant growth in pharmaceuticals exports.

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 quadrilateral agreement with Chile, New Zealand and Brunei. Singapore is negotiating FTAs with Bahrain, Canada, China, Egypt, Kuwait, Mexico, Pakistan, Peru, Qatar, Sri Lanka and the United Arab Emirates. Singapore also is a member of the Association of Southeast Asian Nations (ASEAN), which is negotiating FTAs with Australia, New Zealand, China, India, Japan and South Korea.

## IMPORT POLICIES

### Tariffs

Singapore imposes no tariffs on industrial goods. It eliminated the last four remaining tariffs (covering imports of beer and certain alcoholic beverages) for goods originating in the United States when the FTA came into force. For social and/or environmental reasons, Singapore levies high excise taxes, applicable to distilled spirits and wine, tobacco products, motor vehicles (all of which are imported) and gasoline.

## FOREIGN TRADE BARRIERS

Singapore does not impose any known restrictions or duties on imports or exports of textiles and apparel. Singapore has bound 70.5 percent of its tariff lines in the World Trade Organization (WTO). Singapore is a signatory to the WTO Information Technology Agreement.

### **Import Licenses**

All imports require a permit, primarily for statistical tracking purposes. Special import licenses are required for certain goods, including designated strategic items, hazardous chemicals, radiation-emitting medical devices, films and videos, arms and ammunition, 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. Additionally, Singapore maintains a tiered motorcycle operator licensing system based on engine displacement, which, along with a road tax based on engine size, places U.S. exports of large motorcycles at a competitive disadvantage. As a result of the FTA, Singapore now allows the importation of chewing gum with therapeutic value for sale, subject to certain requirements.

### **STANDARDS, TESTING, LABELING AND CERTIFICATION**

Under the 2002 Consumer Protection 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 Singapore government's standards and certification authority (SPRING Singapore). SPRING Singapore recognizes test reports issued by accredited testing laboratories and certification bodies, including those in the United States. Labels conforming to standardized formats are required on imported foods, drugs, liquors, paints and solvents.

### **Agriculture**

Singapore's food import policy is intended to guarantee a steady and sufficient supply of healthful and high-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 accompany 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. Meat and poultry product samples are regularly 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 policy for salmonella enteritidis and E-coli E. 0157 in raw meat products, which is not consistent with international standards and has posed some difficulties for 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 World Organization for Animal Health (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.

Fresh produce imports are tagged to secure their traceability to farms. Fresh produce is routinely tested to guarantee that it does not exceed maximum pesticide residue limits.

## **FOREIGN TRADE BARRIERS**

In September 2006, the government of Singapore (GOS) removed a requirement for a Certificate of Age/Origin (COA) for aged distilled spirits despite concerns raised by the EU, the United States and their distilled spirits industries. In many countries, the COA is a useful tool for preventing the importation of counterfeit distilled spirits. The GOS committed to use other means to prevent such illicit trade.

## **GOVERNMENT PROCUREMENT**

Singapore is a signatory to the WTO Agreement on Government Procurement. The FTA provides increased access for U.S. firms to Singapore's central government procurement. Some U.S. and local firms have expressed concerns that government-owned and government-linked companies (GLCs) may receive preferential treatment in the government procurement process. Singapore denies that it gives any preferences to GLCs or that GLCs give preferences to other GLCs.

## **INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION**

In line with its FTA commitments and obligations under international treaties and conventions, Singapore has developed one of the strongest IPR regimes in Asia. Amendments to the Trademarks Act, the Patents Act, the Layout Designs of Integrated Circuits Act, Registered Designs Act, and a new Plant Varieties Protection Act, and a new Manufacture of Optical Discs Act came into effect in July 2004. The amended Copyright Act and Broadcasting Act became effective in January 2005; the Copyright Act was further amended in August 2005. Singapore has implemented Article 1 through Article 6 of the World Intellectual Property Organization (WIPO) Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks of 1999. It 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 other international IPR agreements, including the Paris Convention, the Patent Cooperation Treaty, the Madrid Protocol and the Budapest Treaty. The WIPO Secretariat opened offices in Singapore in June 2005.

### **Transshipment**

To implement its FTA commitments, Singapore amended Section 31 of the Import/Export Act in November 2003 to facilitate information-sharing with U.S. Customs and Border Protection and other country officials with which it has relevant trade agreements. Nonetheless, Singapore, a major transshipment and transit point for sea and air cargo, does not collect information on the contents and destinations of most transshipment and transit trade, which accounts 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.

### **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 has raised concerns that Internet piracy in Singapore is on the rise as a result of the increasing availability of the country's broadband facilities.

## **FOREIGN TRADE BARRIERS**

## **Enforcement**

In line with its FTA obligations, Singapore has taken steps to improve IPR enforcement, which is among the lowest in the Asia Pacific region. Singapore claims that its enforcement efforts have almost eliminated the production of pirated material and blatant storefront retail piracy.

According to industry estimates, Singapore's piracy rate averaged 5 percent for music and 12 percent for movies. Business software losses were estimated at nearly \$86 million in 2005.

While a number of local educational institutions (the majority government-operated) have signed agreements to comply with their legal obligations to pay royalty fees to publishers, unlawful duplication of textbooks at some commercial copy centers continues. The police have conducted multiple raids, but, according to industry representatives, the practice is lucrative enough to continue in spite of the possibility of large fines.

## **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 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 GLCs. The Infocomm Development Authority (IDA) in March 2005 finalized its triennial review of the Competition Code, which aims to enhance market transparency. SingTel has implemented most provisions of the Code, including making public its prices for interconnection services.

Competitive facilities-based operators continue to be limited in their ability to take advantage of wholesale pricing for SingTel's ("last mile") local leased circuits. IDA first mandated this regulatory change in December 2003, but SingTel has repeatedly contested this directive, typically through requests for IDA to stay decisions or through appeals to the Minister for Information, Communications and the Arts (MICA). In October 2005, IDA amended SingTel's Reference Interconnection Offer to provide for a more appropriate, open-standard technical interface. SingTel appealed IDA's decision MICA upheld IDA's original decision in May 2006. Although SingTel must now offer wholesale prices for local leased circuits at reduced rates ranging from 55 percent to 82 percent, U.S. industry is still unable to avail itself of this more competitive pricing structure due to certain uneconomical technical interconnection requirements imposed by SingTel.

The United States remains concerned about the lack of transparency in some aspects of Singapore's telecommunications regulatory and rule-making process. In particular, there is no obligation to make information publicly available concerning a company's request for a stay of decision or the filing of an appeal, to request public comments about such requests, or to publish a detailed explanation concerning final decisions made by IDA or MICA. Although this "closed-door" system does not contravene Singapore's FTA obligations, Singapore is reviewing this process at the U.S. Government's request to determine how to improve its transparency.

## **FOREIGN TRADE BARRIERS**

Under the FTA, Singapore agreed that dominant licensees (SingTel and StarHub) must offer cost-based access to submarine cable-landing stations and allow sharing of facilities. U.S. companies continue to have problems with access to facilities used to lay lines as provided for in the FTA.

Since November 2003, SingTel has been exempted from dominant licensee status for wholesale international telephone services (ITS) and tariff filing requirements for residential and commercial retail ITS. In September 2006, IDA announced its preliminary decision to exempt SingTel from dominant licensee obligations for the residential portion of the retail ITS while keeping the commercial retail ITS under dominant licensee obligations. SingTel announced in June 2006 plans to consolidate its local exchanges but failed to provide details of specific local exchanges to be closed. This has put U.S. and other carriers' expansion plans on hold. IDA has denied requests by U.S. and other companies for interconnection at a more centralized location.

### **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 gives the Media Development Authority (MDA) the authority to waive this requirement. The Singapore government also limits individual equity stakes in broadcasting companies to no more than 5 percent of issued shares.

MediaCorp TV is the only free-to-air television 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. In July 2005, MDA announced its intention to impose more restrictive regulations governing the relationships between content/channel providers and pay TV operators in Singapore, *i.e.*, SCV. Following industry feedback, MDA determined in May 2006 not to proceed in this direction. Singapore restricts the use of satellite 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 5 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 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 Singapore government can deny or revoke permits without warning or without giving a reason.

Distribution, importation or possession of any "offshore" or foreign newspaper must be approved by the government. Singapore significantly restricts freedom of the press, having curtailed or banned the

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circulation of some foreign publications. In September 2006, Singapore banned the Far Eastern Economic Review on grounds that the publisher did not comply with Section 23 of the Newspaper and Printing Presses Act, whereby the offshore publisher must appoint a person within Singapore authorized to accept service of any notice or legal process on behalf of the publisher and post a security deposit of S\$200,000 (\$125,000). The Singapore government has also "gazetted" foreign newspapers *i.e.*, numerically limited their circulation. Foreign publishers also face the risk of defamation suits should they be found to "interfere" with Singapore's domestic politics.

### **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 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 with respect 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 64 foreign law firms in Singapore were from the United States. Additionally, there was one U.S. JLV and one FLA.

Except for law degrees from designated U.S., 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 has recognized law degrees from Harvard University, Columbia University, New York University and the University of Michigan, effective April 7, 2006.

To address a perceived shortage of practicing lawyers, Singapore relaxed its criteria for admission of attorneys to the Singapore Bar, effective October 2006. One of the new criteria will admit to the Bar Singapore-citizen or permanent-resident law school graduates of the above-mentioned designated universities who were ranked among the top 70 percent of their graduating class or have obtained lower-second class honors (under the British system). The government also intends to allow highly skilled foreign lawyers to practice Singapore corporate, finance and banking law, and is considering possible implementation alternatives.

### **Engineering and Architectural Services**

Engineering and architecture firms can be 100 percent foreign owned. In line with the 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 in 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 liberalization under the FTA. Since then, the Singapore 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" 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. full-service foreign banks have been allowed to operate since January 2005 at up to 25 locations, compared with 15 previously. These full-service banks can 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.

Under the FTA, Singapore lifted its ban on new licenses for full-service banks in June 2005, 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 have been able to apply for access to local ATM networks since June 30, 2006. Non-locally incorporated subsidiaries of U.S. full-service banks can begin doing so effective January 1, 2008.

However, foreign charge card issuers are still 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 those within their own bank or at foreign banks' shared ATM networks.

U.S. industry advocates enhancements to Singapore's credit bureau system. The Minister of Finance must provide specific types of approval for acquisitions of 5 percent, 12 percent or 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 Singapore government has indicated that it will not allow a foreign takeover of its three major local financial institutions. While 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. The Monetary Authority of Singapore (MAS) has issued 20 new wholesale bank licenses since 2001 as part of the liberalization program. MAS continues to upgrade certain existing offshore banks to wholesale bank

status. 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 (US\$3.1 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. 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. 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

The Ministry of Trade and Industry implemented a Multi-Level Marketing and Pyramid Selling (Excluded Schemes and Arrangements) Order in January 2002 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 legislation, 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 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 must channel all Internet traffic through Internet access service providers that function as main "gateways" to the Internet. Internet service resellers, Internet content providers, individuals who put up

### **FOREIGN TRADE BARRIERS**



personal web pages, software developers, 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 is being implemented in three phases. Phase I established the Competition Commission of Singapore in January 2005. Phase II involves implementation of provisions on anticompetitive agreements, decisions and practices, abuse of dominance, enforcement, and the appeals process, which came into effect in 2006. Phase III provisions, which address mergers and acquisitions, are expected to come into effect in July 2007.

The FTA includes obligations for greater transparency among government enterprises with substantial revenues or assets. Singapore has an extensive network of government-linked corporations (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.

U.S. industry has expressed concerns about the lack of adequate trade secrets protections under Singapore law that would provide specific legal protections for commercially sensitive proprietary information.

### **Transparency**

In keeping with the FTA's transparency obligations Singapore has circulated more draft laws and regulations for public comment, including those relating to the implementation of the FTA.