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### **SINGAPORE INVESTS IN ITS PEOPLE AND ECONOMY TO CONTINUE STRONG GROWTH**

Singapore's rapid economic development over the past four years is largely due to its open trade regime, prudent economic management and geographic position in the centre of a dynamic regional market. With its political stability, well-developed infrastructure, high savings rates and ample foreign investment, Singapore is one of the world's strongest economies, says a new WTO report.

The WTO Secretariat's report on Singapore's trade policies and practices notes that economic growth has accelerated since 1992, with GDP increasing by more than 10 per cent a year in 1993 and 1994. In order to maintain an annual growth rate of 7 to 8 per cent - seen by Singapore to be the long-term real potential of its economy - the government is promoting education and training, and encouraging research and development to upgrade technology. In the face of rising production and labour costs, there has been a shift toward higher value-added activities. Labour-intensive production, states the report, has meanwhile gradually moved overseas to countries with lower wage structures.

The WTO report as well as one prepared by the government of Singapore will be the subject of discussion at the WTO on 3 and 4 June.

In the Uruguay Round, Singapore increased its tariff bindings from less than one per cent to nearly 70 per cent of all tariff lines. Its average bound rate on industrial products, on a trade-weighted basis, will decline from 12.4 to 5.1 per cent. Currently, more than 98 per cent of all tariff lines have duty-free treatment; duties exist only on liquor, tobacco, petroleum products and motor vehicles. Singapore does not impose any duties on exports. Nearly 90 per cent of all food consumed in Singapore is imported. With the exception of rice, there are no quantitative import, export or domestic sales controls on agricultural products. Singapore maintains a system of strict sanitary and phytosanitary requirements.

The report notes that services trade now accounts for more than 60 per cent of Singapore's GDP. Finance, transport, telecommunications and tourism services have expanded rapidly. With one of the best port facilities in the world, Singapore is also developing rapidly as an aviation and maritime hub. Continual improvements are being made to harbour facilities and customs clearance provisions. There are no restrictions on foreign equity participation in the shipping sector; nor does Singapore apply any restrictive trade policy instruments to maritime services nor any subsidies to the domestic shipping industry. No preferential treatment is granted to either domestic or foreign carriers. Air traffic regulations, including fare structures, are relatively liberal and subject to bilateral agreements.



Foreign shareholding in Singapore Telecommunications is limited to 40 per cent; for telecommunication services, in which competition has been introduced, the Telecommunications Authority of Singapore (TAS) also limits foreign equity participation to 49 per cent.

Financial services accounted for 12 per cent of GDP in 1993. The report notes that there is a marked dichotomy between the treatment of domestic banking and insurance, where no new entrants are permitted, and the liberal treatment accorded to offshore operations. Foreigners may own up to 49 per cent of money-changing and remittance businesses; however, there is no limit on foreign ownership of money-broking companies. Foreign firms may have international membership in the Stock Exchange of Singapore with 100 per cent foreign equity.

Singapore is a member of ASEAN, whose members agreed in 1992 to establish the ASEAN Free Trade Area (AFTA) by 2008. In 1995, the target date was accelerated to 2003. The Common Effective Preferential Tariff, the core mechanism for implementing AFTA, has been in place for three years. According to the report, products covered by AFTA now include unprocessed agricultural products. ASEAN economic cooperation has also been extended to include services and intellectual property rights. Singapore is a member of the Asia-Pacific Economic Cooperation Forum (APEC).

While obligations to implement the WTO's agreement on trade-related aspects of intellectual property rights come into force in January 2000, Singapore already provides both civil and criminal avenues for the enforcement of intellectual property rights. Civil remedies may be sought in court at the discretion of the intellectual property right owners.

Singapore tabled an initial offer in December 1995 to join the Government Procurement Agreement and has started bilateral negotiations with other signatories.

The report concludes that trading partners have benefited from Singapore's open and non-discriminatory trade régime and that the increased tariff bindings agreed in the Uruguay Round are an added guarantee of access to Singapore's market. With a very high reliance on international trade, Singapore's economic performance remains crucially dependent on an open and predictable international environment. Accordingly, Singapore's economy stands to benefit from the strengthened trade rules and import liberalization measures established under WTO provisions.

#### **Notes to Editors:**

The WTO Secretariat's report, together with a report prepared by Singapore, will be discussed by the WTO Trade Policy Review Body (TPRB) on 3 and 4 June 1996. The WTO's TPRB conducts a collective evaluation of the full range of trade policies and practices of each WTO member at regular periodic intervals and monitors significant trends and developments which may have an impact on the global trading system.

Two reports, together with a report of the TPRB's discussion and of the Chairman's summing up, will be published in due course as the complete Trade Policy Review of Singapore and will be available from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

The reports cover development of all aspects of Singapore's trade policies, including domestic laws and regulations, the institutional framework, trade policies by measure and by sector. Since the WTO came into force, the "new areas" of services trade and trade-related aspects of intellectual property rights are also covered. Attached are the summary observations from the Secretariat and government reports. Full reports will be available for journalists from the WTO Secretariat on request.

MORE

Since December 1989, the following reports have been completed: Argentina (1992), Australia (1989 & 1994), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Cameroon (1995), Canada (1990, 1992 & 1994), Chile (1991), Colombia (1990), Costa Rica (1995), Côte d'Ivoire (1995), Czech Republic (1996), Dominican Republic (1996), Egypt (1992), the European Communities (1991, 1993 & 1995), Finland (1992), Ghana (1992), Hong Kong (1990 & 1994), Hungary (1991), Iceland (1994), India (1993), Indonesia (1991 and 1994), Israel (1994), Japan (1990, 1992 and 1995), Kenya (1993), Korea, Rep. of (1992), Macau (1994), Malaysia (1993), Mauritius (1995), Mexico (1993), Morocco (1989 & 1996), New Zealand (1990), Nigeria (1991), Norway (1991), Pakistan (1995), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992), Slovak Republic (1995), South Africa (1993), Sri Lanka (1995), Sweden (1990 & 1994), Switzerland (1991 & 1996), Thailand (1991 & 1995), Tunisia (1994), Turkey (1994), the United States (1989, 1992 & 1994), Uganda (1995), Uruguay (1992), Venezuela (1996) and Zimbabwe (1994).

MORE

## **TRADE POLICY REVIEW BODY**

### **SINGAPORE**

#### **Report by the Secretariat - Summary Observations**

##### **Singapore in World Trade**

Singapore's continuing rapid economic development over the past four years owes much to its open trade régime, prudent, clearly directed economic management and its position in the centre of a dynamic regional market. Political stability and a well-developed infrastructure combine with very high rates of savings and investment and attractive investment incentives to make the economy one of the strongest in the world.

Economic growth has accelerated since 1992, with real GDP increasing by over 10 per cent a year during 1993 and 1994 and unemployment at less than 3 per cent. Substantial budget surpluses and a high private savings rate unite to give a considerable excess of savings over domestic investment; this is counterbalanced by growing overseas investments. Tax policy seeks to lower income tax rates and minimize disincentives while attracting foreign investment through tax concessions. Prudent monetary policy and the appreciating Singapore dollar have kept inflation low, despite rising unit labour costs. Led by external demand, Singapore's ratio of trade in goods and services to GDP has grown strongly over the last decade, and now exceeds 500 per cent. Export-oriented manufacturing and services have been the two engines of growth.

The main constraints on Singapore's expansion continue to be its size and limited resources. Strong economic growth has led to rising costs of production such as rentals and labour costs. The authorities, who regard a rate of 7 to 8 per cent as Singapore's long-term real potential, are acting to overcome these bottlenecks in various ways, including promotion of education and training, employment of more part-timers and older persons, encouragement of research and development to upgrade technology, and reclamation and other infrastructural work.

Singapore's current account has been in surplus since 1988; the trade deficit has been financed by a surplus on services account, mainly from travel and shipping receipts, financial transactions and net investment income. International reserves have increased steadily. In recent years, the share of mineral fuels in total trade has decreased, while those of electronic products and components have grown. The share of intra-industry trade in the total increased from 56 per cent in 1985 to 72 per cent in 1994, reflecting the growth of the electronics and electrical engineering industries. ASEAN is Singapore's largest export market, accounting for 28 per cent of its total exports in 1995; two-way cross-border trade with Malaysia has grown significantly.

##### **Legal and Institutional Framework**

Singapore has a parliamentary system of Government, with executive authority exercised by the Cabinet, chaired by the Prime Minister. Policy formulation is undertaken by the Ministries, with advice and many aspects of policy execution channelled through statutory boards linked to main ministries. The Senior Minister advises Ministers on any of the subjects under their charge.

The Ministry of Trade and Industry (MTI) is mainly in charge of the formulation of trade policy; the Singapore Trade Development Board (TDB) is responsible for the implementation of trade policies and programmes for trade development, while the Economic Development Board implements policies

MORE

on investment incentives. The Department of Customs and Excise, under the Ministry of Finance, administers the collection of duties on international trade and excise duties. Service-related policies are divided among a number of Ministries and statutory boards, although the MTI and the TDB are the co-ordinating agencies for negotiations under the GATS. A well-established structure exists for regular consultation on economic and trade policies between the Government and the private sector; a panel of leading international businessmen, the International Advisory Council (IAC) was formed in 1995 to advise the Government on economic strategy.

## **Trade Policy Features and Trends**

### **Multilateral trade policies**

Singapore is a founding member of the WTO, and played a leading rôle in the Uruguay Round negotiations. Although most goods enter duty free, previously almost no industrial tariffs were bound; as a result of the Uruguay Round, Singapore has increased its tariff bindings from 0.5 to nearly 70 per cent of tariff lines. The simple average of bound rates across all sectors is 7.4 per cent. Singapore's bindings on industrial products will increase from near zero to 65 per cent of all lines, and its average bound rate on industrial products, on a trade-weighted basis, will decline from 12.4 to 5.1 per cent.

Singapore intends to implement the TRIPS and Customs Valuation Agreements within the permitted transition period for developing countries. Thus, for Singapore, obligations under these Agreements will come into force in January 2000. Singapore provides both civil and criminal avenues for the enforcement of intellectual property rights. Civil remedies may be sought in court at the discretion of the intellectual property right owners. The police assist intellectual property right owners to execute search warrants in copyright and trade-mark cases to recover incriminating evidence. Singapore is negotiating accession to the Plurilateral Agreement on Government Procurement.

In practice, Singapore largely pursues free trade in goods. Since the last review, with effect from January 1994, import duties on 406 items were abolished. Currently, more than 98 per cent of tariff lines in Singapore have duty-free treatment; only liquor, tobacco, petroleum products and motor vehicles are dutiable. The share of customs and excise duties in government tax revenue decreased to 8.4 per cent in 1994.

Import licensing and control provisions are maintained mainly to discharge Singapore's obligations under international commitments or for public health, environmental, and security considerations. Imports of products subject to import licensing in 1994 amounted to 6 per cent of the total.

Standards and standard-setting processes are in line with those practised internationally. Stringent sanitary and phytosanitary regulations are maintained to safeguard Singapore's sanitary status. Government procurement guidelines do not provide for domestic preferences, except those agreed under the ASEAN Preferential Trading Arrangements. Singapore does not maintain any local-content schemes.

Singapore does not impose any duties on exports. Export control measures are mainly enforced for public health, security and environmental considerations or to fulfil international commitments. Singapore also currently maintains four bilateral export restraints covering textiles and clothing.

Duty drawbacks are not used. Corporate tax concessions may be granted to exports by manufacturing and service companies. Though the Monetary Authority of Singapore provides assistance through a rediscounting scheme to exporters for short-term financing, this is not a major component of export financing. No export credit guarantees or insurance schemes are maintained; nor does Singapore impose export performance requirements. To promote exports, the TDB provides information

MORE

on market intelligence and business opportunities to Singapore exporters. Singapore benefits from GSP treatment mainly in the EU, Japan and Canada; in 1995, Singapore exported goods worth about US\$4.5 billion under preferences provided through the GSP, more than double the level of 1990. Singapore is a member of the GSTP. Some of Singapore's exports have also been subject to trade remedy actions in certain overseas markets.

### **Regional trade policies**

Singapore is a member of ASEAN, whose members agreed in 1992 to establish the ASEAN Free Trade Area (AFTA) by 2008 (subsequently, in 1995, accelerated to 2003) and introduced the Common Effective Preferential Tariff (CEPT) in 1993 as the core mechanism for implementing AFTA. Origin criteria to qualify for tariff preferences under the CEPT Scheme require a minimum of 40 per cent ASEAN content. The coverage of AFTA has also been expanded to include unprocessed agricultural products and ASEAN economic cooperation has been extended to the fields of services and intellectual property.

Singapore is also a member of the APEC Forum. Under the 1994 Bogor Declaration, APEC is to achieve full and open trade and investment in the region by 2020. The APEC Osaka summit meeting in 1995 resulted in the announcement of specific "down-payments" of initial actions to liberalize and facilitate foreign trade and investment.

### **Trade and investment policies**

Singapore's rapid economic growth has been assisted by massive foreign direct investment inflows; in 1993, foreign-owned companies accounted for about 85 per cent of direct exports of the manufacturing sector. Tax and non-tax incentives are granted to foreign and local firms alike. Singapore law generally makes no distinction between domestic investment and foreign investment; however, limitations on foreign ownership exist in telecommunications, financial services and the national airline.

### **Sectoral policies**

#### **Agriculture**

Agriculture is of very limited significance to the Singapore economy, representing only 0.2 per cent of GDP. Approximately 90 per cent of food consumed in Singapore is imported. In 1995, food, beverages and tobacco accounted for 4 per cent of total imports. Tariffs are imposed on tobacco products and liquor only. With the exception of rice, there are no quantitative import, export or domestic sales controls on agricultural products; however, Singapore maintains a system of strict sanitary and phytosanitary requirements implemented through import licensing.

#### **Industry**

The manufacturing sector performed robustly during the 1990s, increasing its share of GDP to some 25 per cent, with trade growing slightly faster than production. In the face of increased labour costs, lower value-added activities have been giving way to higher value-added ones, while labour-intensive operations have gradually moved overseas to lower labour cost countries. Overall industrial performance was boosted by strong growth in electronics, with increasing intra-industry trade.

Major manufactured exports are electronics, petroleum products and parts for office and telecommunications equipment. Most manufactures are imported duty free; only motor vehicles and motor cycles are dutiable. The main imports are electronic components, crude petroleum, data processing

MORE

machines and telecommunication equipment. Imports of crude petroleum accounted for 6 per cent of the total and petroleum products represented 8 per cent of merchandise exports. Trade in petrochemicals, seen as a key sector in Singapore's future manufacturing development, increased continuously in the early 1990s, representing approximately 6 per cent of merchandise trade in 1994. During the 1990s, textile imports have outpaced textile exports, and the earlier surplus in clothing trade became a deficit in 1994.

The authorities have selected 14 industrial clusters, comprising more than two thirds of GDP, for investment in strategic projects. Many government agencies or statutory boards act, through their own investments in some activities, as catalysts to industrial development in the clusters. The Skills Development Fund provides financial incentives to employers for the development of skills and expertise. The Task Force on Institutional Reform for Productivity and Quality Improvements was set up in 1995 to promote greater productivity and quality.

Assistance, largely given through tax incentives, is largely aimed at supporting new projects leading to technological development or higher value-added activities. Companies with pioneer status may be exempted from corporate tax for a period of five to ten years. As a post-pioneer incentive, a reduced corporate tax rate of 15 per cent may be granted for a further 10 years. Loans and technical assistance are extended to small and medium-sized local enterprises to purchase machinery and premises. Price controls apply to water and basic telecommunications.

## Services

Services contribute more than 60 per cent to Singapore's GDP. Their overall growth has been underpinned by rapid expansion of finance, transport and telecommunications. These sectors have also led productivity growth; value-added per employee in the financial sector was three times the average in 1994, while that in transport and telecommunications was 1.6 times the average.

Singapore is a major tourist destination; the balance of travel has recorded continuous surpluses over the past decade, though the share of this surplus in GDP decreased during the early 1990s. The contribution of transport and communications to GDP between 1990 and 1994 was approximately 12-13 per cent on average. Singapore has one of the best port facilities in the world, and is developing rapidly as an aviation and maritime hub; continual improvements are being made to harbour facilities and customs clearance provisions. There are no restrictions on foreign equity participation in the shipping sector; nor does Singapore apply any restrictive trade policy instruments to maritime services nor any subsidies to the domestic shipping industry. No preferential treatment is granted to either domestic or foreign carriers and there are no obligations on domestic operators to employ specified carriers for specified transport. Air traffic regulations, including fare structures, are also relatively liberal, subject to bilateral agreements. To alleviate domestic land traffic congestion, the Government regulates private vehicle numbers through ownership measures such as the Vehicle Quota System.

Provision of telecommunication services is in most cases subject to licensing by the Telecommunications Authority of Singapore. All telecommunication services regarded as vital in promoting industry, infrastructure and businesses are subject to regulatory price control. Under its public telecommunication operator's licence, Singapore Telecommunications, privatized in October 1993, has the exclusive right to provide certain basic telecommunication services for a while. Foreign shareholding in Singapore Telecommunications is limited to 40 per cent; for telecommunication services in which competition has been introduced, the TAS also limits foreign equity participation to 49 per cent.

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Financial services accounted for 12 per cent of GDP in 1993. The Monetary Authority of Singapore (MA) is responsible for the formulation of financial services policies and regulation of the sector. There is a marked dichotomy between the treatment of domestic banking and insurance, where no new entrants are permitted, and the liberal treatment accorded to offshore operations. The prior approval of the MA is required for acquisition of shareholdings of 5 per cent or more in banks incorporated in Singapore; a single or related group of foreign shareholders may only hold up to 5 per cent of a local bank's shares, while aggregate foreign ownership of domestic banks is limited to 40 per cent and in locally owned finance companies to 20 per cent. Foreigners may own up to 49 per cent of money-changing and remittance businesses; however, there is no limit on foreign ownership of money-broking companies. Foreign firms may have international membership in the Stock Exchange of Singapore with 100 per cent foreign equity.

The Public Accountants' Board of Singapore recognizes the major professional qualifications for accountants and actuaries. Foreign seafarers holding valid and appropriate certificates issued by their countries are permitted to serve on Singapore-registered vessels. Some professional service providers such as engineering, land surveyors and architects may apply for registration in the appropriate boards in Singapore.

### **Emergency measures**

No import relief has been granted in the form of safeguards or countervailing measures. Anti-dumping duties were imposed on the imports of certain steel reinforcing bars from Malaysia and Turkey in 1995.

### **Trade Policies and Foreign Trading Partners**

Singapore is already at a level comparable to many developed economies in terms of GDP per capita, and growth of GDP is among the highest in the world. In the 1990s, Singapore aims to further develop the population's education and skill level, range and sophistication of economic activities, and improve the level of productivity and standard of living. To achieve this goal, the Government plans to invest heavily in education, training and re-training and aims to raise the proportion of the young age group with post-secondary training to 85 per cent by the year 2000. Singapore is currently studying the issue of accession to the OECD.

Foreign trading partners have benefited from Singapore's open and non-discriminatory trade régime. The increased tariff bindings agreed in the Uruguay Round are an added guarantee of access to Singapore's market. With very high reliance on international trade, Singapore's economic performance remains crucially dependent on an open and predictable international environment. Accordingly, Singapore's economy stands to benefit from the strengthened trade rules and import liberalization measures established under WTO provisions.

MORE

**TRADE POLICY REVIEW****SINGAPORE****Report by the Government - Summary Extracts**

This report by the Government of Singapore focuses on developments since the first review in 1992 of Singapore's trade policies with respect to their objectives, formulation and coordination. In line with the expanded coverage of the World Trade Organization (WTO), this report also covers the new areas of services and intellectual property.

The primary objective of Singapore's trade policies remains unchanged, i.e. to maintain an open trading régime so that trade growth contributes to sustainable non-inflationary economic growth in the long term. For the period 1992-1995, the Singapore economy registered double-digit growth of 10.4 and 10.2 per cent in the years 1993 and 1994 before moderating to a more sustainable rate of 8.9 per cent in 1995.

The economy benefited from strong regional growth and a favourable global electronics cycle, with growth being led by the manufacturing, and transport and communications sectors. The other key sectors also recorded good growth in 1995. the economy is projected to grow at 7-8 per cent in 1996.

Singapore's trade also enjoyed robust growth; it was ranked as the 12th largest exporter and importer in 1994 by the WTO, from the 18th and 15th positions held respectively in 1990. The US, the EU, Japan, Malaysia and Hong Kong remained Singapore's top trading partners. The share of Singapore's global exports and imports with these countries were 66 and 70 per cent respectively over the period of 1992-1995. Singapore also accounted for 53 per cent of intra-ASEAN trade in 1994. In addition, Singapore continued to enjoy increasing trade with the East Asian markets of China, South Korea and Taiwan.

In line with Singapore's firm commitment to trade liberalization with the multilateral trading system, it participated actively in the Uruguay Round (UR) of multilateral trade negotiations which were concluded during the period under review. Among Singapore's most significant commitments was its substantial increase in the scope of bindings from 0.5 per cent pre-UR to 70 per cent of all its tariff lines. In services, Singapore committed to maintain its present level of openness in a wide range of sectors including business services, communication services, construction and engineering related services, financial services, environmental services, tourism and travel-related services, and transport services.

Singapore believes that the WTO Agreement will have a positive impact on its trade. It is estimated that the full implementation of tariff commitments by member countries would result in accumulated potential tariff savings of at least US\$333 million for Singapore's exports to its major markets. Singapore also anticipates benefits stemming from enhanced market access, improved transparency and a more efficient and expeditious dispute settlement mechanism in the post-UR era.

There have been some key developments in trade policy measures since the first review. Import duties on 406 items were abolished in January 1994. As a result almost all (about 98 per cent of all) imports enter Singapore duty-free. Another significant development is Singapore's imminent accession to the 1994 Agreement on Government Procurement. Already an observer in the Committee on

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Government Procurement, Singapore has started bilateral negotiations with signatories following its tabling of initial offers in December 1995.

The services sector accounted for 74 per cent of Singapore's GDP in 1995. The major sub-sectors were financial and business services, commerce, transport and communications. Singapore's aim is to be a value-adding node for trade, logistics, financial services, headquarters services, communications and information. Infrastructure and manpower resources continue to be developed in these areas. Singapore has also made commitments under the General Agreement on Trade in Services (GATS), viewing it as an important achievement of the UR, and attaching great importance to its effective implementation. It is Singapore's hope that the outstanding sectoral negotiations will be successfully concluded.

Singapore's existing legislation governing the various aspects of intellectual property rights are being reviewed in light of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Singapore has established an Inter-Ministry Committee (IMC) to review the legislation and to recommend changes required to meet the obligations under the TRIPs Agreement. One of the first tasks of the IMC was the amendment of Singapore's Patent Act which came into effect on 1 January 1996.

The challenge for Singapore lies in continuing to secure access for its products and services to the global market. To this end, Singapore aims to maintain its competitive edge by adhering to free market principles, open competition and rational economic policies, as well as investing in human resources, infrastructure, technology and innovation. Singapore's ability to sell its products and services depends on a barrier-free world trading environment. In that respect, Singapore is firmly committed to the multilateral trading system as the principal and most effective platform for trade and investment liberalization. Singapore also supports regional initiatives that complement and help catalyse the process of trade liberalization at the multilateral level. It is on the basis of this principle that Singapore plays an active rôle in regional groupings such as ASEAN and APEC. Singapore also looks forward to a successful inaugural WTO Ministerial Conference (MC) in December this year that would serve as a model for subsequent MCs and provide new impetus to global trade liberalization.

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