In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the Secretariat submits herewith Volume A (Text) of its report on Singapore. Volume B (Tables and Appendices) is presented in document C/RM/S/22B.

The report is drawn up by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by Singapore. As required by the Decision, in preparing its report the Secretariat has sought clarification from Singapore on its trade policies and practices.


NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.
## CONTENTS

### SUMMARY OBSERVATIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Singapore in World Trade</td>
<td>vi</td>
</tr>
<tr>
<td>(2) Institutional Framework</td>
<td>vii</td>
</tr>
<tr>
<td>(3) Trade Policy Features and Trends</td>
<td>ix</td>
</tr>
<tr>
<td>(i) Recent evolution</td>
<td>x</td>
</tr>
<tr>
<td>(ii) Type and incidence of trade policy instruments</td>
<td>x</td>
</tr>
<tr>
<td>(iii) Temporary measures</td>
<td>xiii</td>
</tr>
<tr>
<td>(iv) New initiatives</td>
<td>xiv</td>
</tr>
<tr>
<td>(4) Trade Policies and Foreign Trading Partners</td>
<td>xiv</td>
</tr>
</tbody>
</table>

### I. THE ECONOMIC ENVIRONMENT

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Main Features of the Singapore Economy</td>
<td>1</td>
</tr>
<tr>
<td>(i) Introduction</td>
<td>1</td>
</tr>
<tr>
<td>(ii) Savings</td>
<td>4</td>
</tr>
<tr>
<td>(iii) Investment</td>
<td>7</td>
</tr>
<tr>
<td>(iv) Employment</td>
<td>9</td>
</tr>
<tr>
<td>(v) Fiscal policy</td>
<td>10</td>
</tr>
<tr>
<td>(vi) Prices</td>
<td>13</td>
</tr>
<tr>
<td>(2) Recent Economic Performance</td>
<td>13</td>
</tr>
<tr>
<td>(3) Trade Performance</td>
<td>17</td>
</tr>
<tr>
<td>(i) Commodity pattern of trade</td>
<td>17</td>
</tr>
<tr>
<td>(ii) Regional pattern of trade</td>
<td>18</td>
</tr>
</tbody>
</table>
II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES  
(1) General Framework  
(2) Structure of Trade Policy Formulation  
   (i) Executive branches of Government  
   (ii) Advisory bodies  
   (iii) Review bodies  
(3) Trade Policy Objectives  
   (i) General trade policy objectives  
   (ii) Sectoral trade policy objectives  
(4) General Trade Laws and Regulations  
(5) Trade Agreements and Arrangements  
   (i) Multilateral agreements  
   (ii) Regional trading arrangements  
   (iii) Bilateral agreements  
   (iv) Other agreements or arrangements  

III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME  
(1) Exchange Rate Movements and Trade  
(2) Foreign Exchange Allocation  
(3) Foreign Direct Investment and Trade  
   (i) The regulatory framework  
   (ii) Investment patterns
## IV. TRADE POLICIES AND PRACTICES BY MEASURE

### (1) Overview

### (2) Measures Directly Affecting Imports

| (i)   | Tariffs                      | 44 |
| (ii)  | Tariff quotas                | 54 |
| (iii) | Variable import levies       | 54 |
| (iv)  | Other levies and charges     | 54 |
| (v)   | Minimum import prices        | 55 |
| (vi)  | Import prohibitions          | 55 |
| (vii) | Import licensing             | 55 |
| (viii)| Import quotas                | 57 |
| (ix)  | Import surveillance          | 57 |
| (x)   | State trading                | 57 |
| (xi)  | Import cartels               | 57 |
| (xii) | Countertrade                 | 57 |
| (xiii)| Standards and other technical requirements | 59 |
| (xiv) | Government procurement       | 69 |
| (xv)  | Local-content requirements   | 71 |
| (xvi) | Anti-dumping and countervailing actions | 71 |
| (xvii)| Safeguard actions           | 71 |
| (xviii)| Measures implemented in exporting countries | 72 |
| (xix) | Balance-of-payments measures | 72 |
| (xx)  | Free-trade zones, export processing zones | 72 |
| (xxi) | Other measures               | 73 |

### (3) Measures Directly Affecting Exports

| (i)   | Export taxes, charges and levies | 74 |
| (ii)  | Minimum prices                   | 75 |
| (iii) | Export prohibitions              | 75 |
| (iv)  | Export licensing                 | 75 |
| (v)   | Export restraints                | 76 |
| (vi)  | Export cartels                   | 77 |
(vii) Voluntary restraints, surveillance and similar measures 77
(viii) Export subsidies 77
(ix) Duty drawback 78
(x) Corporate tax concessions 78
(xi) Export finance 79
(xii) Export insurance and guarantees 79
(xiii) Export promotion, marketing assistance 81
(xiv) Export performance requirements 81
(xv) Free-trade zones, export processing zones 81
(xvi) Other measures 82

(4) Measures Affecting Production and Trade 83

(i) Investment promotion 85
(ii) Adjustment assistance 86
(iii) Assistance for research and development 86
(iv) Production subsidies, tax concessions 88
(v) Regional assistance 92
(vi) Other measures 92

ANNEX IV.1 Organizational structure of the Economic Development Board of Singapore 94
ANNEX IV.2 Organizational structure of the Singapore Institute of Standards and Industrial Research 95
ANNEX IV.3 Principal activities of the Jurong Town Corporation (JTC) in Singapore 96

V. TRADE POLICIES AND PRACTICES BY SECTOR 97

(1) Overview 97

(2) Agriculture 97

(i) General features 97
(ii) Livestock products 100
(iii) Crops and other vegetable products 100
(iv) Fishery products 101
(v) Beverages 102
(vi) Tobacco 102
(vii) Other agricultural products 103
(3) Industry

(i) Coal, petroleum and natural gas 104
(ii) Rubber 105
(iii) Textiles and clothing 106
(iv) Chemicals 109
(v) Non-electrical and electrical machinery and apparatus 110
(vi) Transport equipment 113
(vii) Other manufactured articles 116

ANNEX V.1 Duties, taxes and fees affecting motor vehicles 117

VI. TRADE DISPUTES AND CONSULTATIONS 119

(1) GATT Dispute-Settlement 119

(2) Other Disputes 119
SUMMARY OBSERVATIONS

1. Singapore ranks amongst the world's most dynamic economies. Average annual growth (GDP) over the past two decades exceeded 8 per cent. Singapore's per capita income is now in the order of US$10,600, one of the highest in Asia. There is virtually no unemployment and inflation is very low.

2. Singapore's rapid economic growth has been founded on outward-oriented policies encouraging flexibility and speedy structural transformation. In the early 1960s, Singapore moved rapidly from entrepôt trade into manufacturing activities, mainly labour-intensive production. Later, the focus shifted towards higher value added industries, export-oriented and intensive in skills and technology, and to services, which now account for around 70 per cent of GDP and employment. The rôle of entrepôt trade, although declining, is still significant; re-exports now account for one-third of total merchandise exports.

3. Singapore's economy is based on a free trade régime, with the private sector the principal engine of economic growth. Nevertheless, the Government's involvement in the overall development of the economy has been substantial. Apart from conducting macro-economic policy, it maintains tax incentive schemes for new investments and R&D, holds shares in enterprises which are deemed important for development purposes and invests considerable funds in infrastructure development and in initiatives to upgrade human capital. Compulsory participation in the Central Provident Fund contributes to high levels of private savings, and guidelines established by the National Wages Council, comprising the Government, employers and trade unions, foster wage stability.
4. Economic expansion has been supported by large-scale foreign investment, attracted by the favourable and open economic environment and by Singapore's social and institutional stability. The outward orientation of the economy has been decisive in overcoming domestic supply bottlenecks, such as a lack of natural resources. The need for investment capital has been largely met without recourse to official foreign borrowing, unrequited transfers or deficit financing.

5. Although economic expansion is expected to be more moderate in 1991, general prospects appear promising. There are, however, certain domestic constraints, principally related to shortage of labour and land resources. Increased cooperation with neighbouring countries and regions, in the context of a so-called Growth Triangle, is intended to alleviate these. On the external side, heavy reliance on international trade means that actions taken by Singapore's trading partners have a direct impact on its economy - in this case, often without much scope for compensatory action.

(1) Singapore in World Trade

6. Singapore has the highest trade to GDP ratio of any country in the world, and its merchandise trade has continued to grow more rapidly than world exports in recent years. In 1990, the value of Singapore's merchandise trade including re-exports (almost US$114 billion) was more than three times that of GDP. Exports of commercial services amounted to US$15 billion. Singapore currently ranks 18th and 15th respectively among world exporters and importers. Its share in world merchandise exports was 1.5 per cent in 1990.
Singapore and world merchandise trade, 1980-90

Source: International Monetary Fund, International Financial Statistics; and GATT Secretariat estimates.

7. Singapore's merchandise export structure has moved steadily towards higher value-added manufactures. While, in 1970, raw materials accounted for 30 per cent of total merchandise exports, their share has dropped since to no more than 10 per cent. In contrast, automatic data processing machines and components, telecommunications equipment and refined fuels now represent more than half of merchandise exports. Products related to the export sector - crude petroleum, parts for office machines and telecommunications equipment - rank top among imports, reflecting both the lack of natural resources and Singapore's high integration into the world economy.
8. The United States is the largest export market, representing 21 per cent (US$11 billion) of Singapore's total merchandise exports in 1990. Japan is the principal supplier (20 per cent of merchandise imports, US$12 billion). While the share of developing countries in Singapore's trade has declined from 51 per cent in 1980 to 44 per cent in 1990, ASEAN countries together account for a stable 19 per cent.

(2) Institutional Framework

9. Singapore's trade policies are formulated and implemented by way of specific laws and regulations (orders). There is no fundamental trade legislation, and the GATT has not expressly been incorporated into Singapore's laws. All laws are approved by Parliament, in which the ruling People's Action Party traditionally enjoys a very strong majority.

10. Almost all important industrial and trade policy dossiers are in the hands of the Ministry of Trade and Industry (MTI). The Economic Development Board and the Trade Development Board - both reporting to MTI - are responsible for policy implementation. This concentration of responsibility in MTI appears to ensure coherence and consistency in Singapore's industrial and trade policies.

11. In order to involve private enterprise in the information- and decision-making process, the Government maintains a variety of formal and informal contacts. Special committees, such as the Economic Committee established during the 1985 recession, have been set up from time to time to discuss and propose specific policy measures. Consumer groups are represented in certain Government bodies dealing with specific consumer aspects. However, there is no independent body which reviews or assesses economic policies in order to advise the Government or provide a public monitoring function.
(3) **Trade Policy Features and Trends**

(1) **Recent evolution**

12. Because of its small size and limited policy leverage, Singapore depends heavily on stable conditions of market access within a rule-based trading system. It became a contracting party to the GATT in August 1973, has signed four MTN Agreements - Technical Barriers to Trade, Government Procurement, Import Licensing Procedures and Anti-Dumping - and is an observer in three others. Singapore has participated actively in the Uruguay Round, both individually and as a member of ASEAN.

13. Singapore's trade policies have changed little in recent years. Most imports enter duty free, and the import régime is characterized by the absence of tariff quotas, variable import levies, minimum import prices, import quotas, or import surveillance. Exports from Singapore may also in general be made freely, except where limited for health, safety or security reasons or in connection with bilateral restraint agreements.

14. Most of Singapore's exports are eligible for preferential treatment under the Generalized System of Preferences (GSP) schemes of the majority of industrialized countries. However, New Zealand (in 1985) and the United States (in 1989) have removed Singapore from their GSP schemes, in view of its level of development.

(ii) **Type and incidence of trade policy instruments**

15. The Singapore market is open and largely free of sector-specific interventions. The vast majority of merchandise imports enters free of duty. Tariffs, mostly at 5 per cent ad valorem, are levied on some
10 per cent of tariff lines; they mainly serve social and environmental purposes. Singapore operates no domestic policy schemes with a view to protecting or promoting narrowly-defined industries.

16. The predictability and stability of Singapore's open trade régime is somewhat affected by very low levels of tariff bindings, covering no more than 0.5 per cent of all items. The Singapore authorities have, however, offered a major increase in the framework of the Uruguay Round.

17. Excise taxes are levied on domestic products, generally at the same rates as import duties. However, the excise duty on domestic beer is lower than the tariff on imports. Domestically produced sugar confectionery, articles of leather, textiles and garment products are tax free, though specific duties are applied to imports.

18. A multi-layered system of tariffs, charges, fees and other disincentives on motor vehicle ownership and use has recently been extended in order to combat traffic congestion and related environmental problems. As a common feature, most measures are price-related, including a newly introduced tender system for car registrations. For more than one decade, there has been no domestic production or assembly operation in the sector.

19. Singapore accords m.f.n. treatment to all countries, whether or not GATT contracting parties. A few tariff preferences are extended in the ASEAN framework. Given the general openness of Singapore's trade régime, these preferences are, however, of limited economic importance. In the context of the Global System of Trade Preferences (GSTP), Singapore has undertaken to bind certain tariffs for imports from other participants.

20. Import licensing, on a non-restrictive basis, is confined to only one product - rice - for food security reasons.
21. Certain import controls serve to implement international commitments, for example under the Montreal Protocol on ozone-depleting substances and under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). For health policy reasons, most agricultural imports require sanitary or phytosanitary certificates.

22. The GATT Secretariat has no evidence of standards-related barriers to entry into Singapore, nor information about any complaints by trading partners. According to the Singapore Institute of Standards and Industrial Research (SISIR), by December 1990, 13 per cent of Singapore standards were identical with international requirements. All standards are applied equally to imported and domestic goods.

23. Government procurement is either by open, selective or single tendering, depending on the nature and value of the purchases. Procedures for open tenders appear to be transparent and based on clear criteria. In contrast, selective or single tendering, whose importance in overall Government purchasing may be considerable, seemingly provide more scope for discretionary decisions. Yet there are no formal buy-national or otherwise preferential policies, except for a preferential margin of 2.5 per cent (up to a maximum of US$40,000) for bids from ASEAN suppliers.

24. On the export side, certain restrictions are applied for safety reasons, in connection with international conventions or agreements, or to ensure access to technologies whose further dissemination is restricted by the supplying countries. Since the Gulf crisis, all trade with Iraq has been under embargo.

25. An export quota allocation system serves to implement bilateral agreements on textiles and clothing with five industrialized countries
under the Multi-Fibre Agreement. Three-quarters of the quota entitlements are distributed among Singapore's registered exporters according to their past trade performance; the rest is allocated through a tender system.

26. The Singapore Trade Development Board provides assistance for export promotion and marketing activities. There are no direct subsidies to domestic manufacturers, nor any subsidized export credit, insurance or guarantee schemes.

27. The absence of trade policy instruments does not mean that the Singapore Government has refrained from actively promoting economic development and structural change. Rather, long-standing incentive schemes are geared at providing tax incentives for new investments deemed advantageous on development grounds and, increasingly, at boosting research and development.

28. In addition, the Government maintains substantial holding companies and Statutory Boards, as well as equity shares in individual enterprises of strategic economic importance. Any such engagement is, however, intended to be temporary in nature, and according to the Singapore Government, equity participation is on the decline. However, no quantitative information is available.

(iii) Temporary measures

29. Singapore has never resorted to trade remedy provisions - safeguard actions or anti-dumping and countervailing measures - under the GATT or national laws. There is also no evidence of informal substitutes.

30. Exports of two products - umbrellas and colour television sets - to two member States of the European Communities have been subject to
voluntary restraints in recent years. According to the Singapore Government and industry representatives, the measures had been implemented at the industry level.

(iv) **New initiatives**

31. No major changes to Singapore's current trading system are envisaged, except for the possibility of a substantial increase in tariff bindings resulting from the Uruguay Round.

32. In the context of ASEAN, an agreement was signed in October 1991 with the aim of creating a free-trade area (the East Asian Economic Caucus) within 15 years.

(4) **Trade Policies and Foreign Trading Partners**

33. Foreign trading partners have benefited from Singapore's open trade régime. The general duty-free access to its expanding import market for overseas suppliers has been provided on a non-discriminatory basis.

34. Singapore's industrialists appear to have been very successful in reducing the impact of restrictive trade policies facing their exports. The focus of production has continuously been shifted towards items, such as electronic components, which have proved less vulnerable to measures applied by major markets. These changes have also generally been in line with Singapore's general policy orientation of upgrading the technological strength of its manufacturing base.

35. The scope for such strategies is not unlimited. New areas of successful trade expansion may become vulnerable to new defensive measures. While structural flexibility is an indispensable pre-requisite for economic
growth, it is only of limited help in overcoming external barriers, in particular if these shift and change in coverage over time.

36. Singapore's economic performance thus remains crucially dependent on an open and predictable international environment. Its trade interests would be best served by clear multilateral rules that are effectively observed in practice. Accordingly, through its participation in the Uruguay Round, Singapore has sought to strengthen GATT rules on anti-dumping and countervailing actions, ensure a stable system of rules of origin, and secure the m.f.n. application of safeguards. Given the importance of services in Singapore's economic development strategy, the country has also participated actively in the negotiations in this sector. In return, it has offered a large increase in tariff bindings, which would significantly increase the predictability of its already open trade régime.

37. Singapore could contribute further to extending and reinforcing its participation in GATT through wider participation in the MTN Agreements. At the same time, there appears to be scope for more transparency in the process of domestic policy formulation and implementation. This could include broader information on the use of policy instruments, such as tax incentives or State participation in industries, and independent reviews of the ensuing results. The rationale behind Singapore's basic trade policy stance, in particular its reliance on open markets, would also argue in favour of more openness with respect to information and independent policy monitoring.
I. THE ECONOMIC ENVIRONMENT

(1) Major Features of the Singapore Economy

(i) Introduction

1. Singapore is an island city State with a total land area of only 626 square kilometres and a population of less than 3 million inhabitants (Table I.1). It achieved self-Government from British rule in 1959 and independence in 1965. Before independence, its economy was largely linked to its rôle as an entrepôt and the presence of a British garrison. The last three decades have witnessed a remarkable structural transformation, with the rapid development of export-oriented manufacturing and services sectors. Sustained high rates of growth of GDP have meant that Singapore now has one of the highest per capita incomes in Asia (some US$10,500) and virtually no unemployment (Table I.2). Moreover, all this has been achieved with low rates of inflation and a positive balance of payments.

2. Singapore's growth pattern can be divided into two phases. The period 1965-1980 was marked by transition from entrepôt trade to manufacturing, primarily through labour-intensive production for export. The average rate of growth of real GDP in this period was around 10 per cent per annum, and the share of manufacturing in GDP increased from 15 to nearly 30 per cent (Chart I.1). The industries which expanded rapidly included garment manufacturing, electrical and electronic products, and even the relatively capital intensive petroleum refining sector. The services sector also grew at a high rate, in particular, commerce (including tourism), transport and communications and financial and business services.

3. In the second phase, from 1980 to the present, growing labour shortages have prompted a shift from labour intensive production to higher value-added industries, intensive in skills and technology. Except for the period 1985-86, annual GDP growth in the 1980s has been consistently above 8 per cent, reaching 11 per cent in 1988 (Table I.2 and Chart I.2). The aggregate share of manufacturing in GDP declined slightly but sectors like electronics and electrical appliances, paints, pharmaceuticals and chemical products, and industrial chemicals and gases, continued to grow rapidly. The services sector saw steady expansion, in particular, of business and financial services, whose share in GDP rose from 20 per cent

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1Singapore has virtually no natural resources, but has the advantages of a deep natural harbour and strategic geographical location.

Chart I.1
Per cent

1965

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1980

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1990

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<td>Financial and business services</td>
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Chart I.2
Real GDP growth in Singapore by sector, 1980-1990
Percentage change

to over 32 per cent (Chart I.1). The share of the work force with secondary or higher education doubled over the period to 42 per cent, which is indicative of the efforts made to improve the level of skills.

4. Through both phases, trade has been overwhelmingly important. In 1990, merchandise trade was more than three times the value of GDP, and Singapore was the 15th largest importer and the 18th largest exporter in the world. Singapore has continued to act both as a regional processing and distribution centre and as a manufacturing base, with a still significant but declining share of entrepôt trade. The share of domestic exports in total exports has increased from an average of 14½ per cent in 1960-67 to 60½ per cent in 1974-82 and to 66 per cent in 1990. The ratio of manufactures in total exports rose from 9 per cent in the early 1960s to an average of 53½ per cent in 1974-82. Now, manufactures account for almost all of Singapore’s domestic exports, with office machinery, telecommunications and computer parts the leading merchandise export groups. The growth of domestic refining has also increased the importance in recent years of imports of crude and exports of refined petroleum.

5. While Singapore has traditionally run a large deficit on merchandise trade, there has usually been a surplus on the invisibles account. Earnings from tourism, transportation and investment income have led to a current account surplus in every year since 1985 (Table I.2).

6. Singapore’s economic development has been made possible by large scale foreign direct investment, which is in great part attributable to the favourable environment created by Government policy. As a matter of principle, the Government has chosen not to intervene in trade or impede the flow of capital. However, it has the possibility to influence certain key economic variables. High savings have been supported by the Government's conservative fiscal policy (Singapore has consistently run a budget surplus) and through its influence on the savings of the private sector. At the same time, private investment is encouraged through tax exemptions and complementary infrastructural investment. In the labour market, wages may be influenced by guidelines established by the National Wages Council. The State also invests heavily in human capital through its educational and health programmes. Domestic price stability is ensured primarily by the high rate of aggregate savings and the maintenance of a strong and stable exchange rate.

(ii) **Savings**

7. Singapore, which had a negative level of savings (-2.6 per cent) in 1960, now has a savings rate higher than most other countries. In the
1980s, domestic savings accounted for, on average, 41 per cent of GNP (Chart I.3). The increase in the savings rate is attributable primarily to rapid economic growth and to demographic changes. In particular, the proportion of the population in the working age has risen steadily. Low rates of inflation and positive real interest rates were also conducive to private voluntary saving, which now accounts for nearly 60 per cent of the total. The Government has exercised some influence on aggregate savings through budget surpluses and through decisions on the Central Provident Fund (CPF) contribution rates (see Note I.1).

![Chart I.3](chart)

**Chart I.3**

Savings rates in Singapore, as a percentage of GNP, 1985-89


3 In 1984, 64 per cent of gross national savings came from the public sector, 30 per cent from compulsory saving through the Central Provident Fund, and the remaining 6 per cent from voluntary saving.

4 For instance in 1984, a working person contributed 25 per cent of his or her gross wage to the CPF, with a further 25 per cent coming from the employer, subject to a certain ceiling. Currently, the corresponding figures are 22.5 per cent for employees and 17.5 per cent for employers (applicable from July 1991).
Note I.1. Central Provident Fund

The Central Provident Fund has the basic objective of providing old age security. It is financed by compulsory contributions by employers and employees, and thus represents an important source of savings in Singapore. The CPF has, however, increasingly assumed some features of a voluntary savings scheme as greater flexibility has been allowed in both the use to which savings in the CPF can be put and the time at which they can be withdrawn (e.g. the savings can be drawn for house purchase, approved investments and medical costs before reaching 55, the age at which most of the savings can be withdrawn).

The Singapore Government has exercised some influence over key economic variables by its decisions on the rates of contribution to the Central Provident Fund. First, by regulating the employers' rates of contribution, it has directly influenced the cost of labour in the economy. Secondly, changes in both the employers and employees' rates of contribution have affected aggregate savings.

At times, this instrument has had a powerful impact on the economy. For instance, the 1985 recession was in part precipitated by high CPF rates which, on the one hand, reduced the competitiveness of traditional industries by increasing labour costs and, on the other hand, severely weakened domestic demand. The policy response to the recession involved a reduction in the employers' contribution to the CPF from 25 per cent to 10 per cent.

Finally, the CPF scheme may have an indirect and possibly regressive effect on the distribution of income. Since the CPF earnings are exempt from income tax, the effective rate of return on the individual's savings is greater if the individual is in a higher marginal tax bracket.
8. High levels of capital formation in Singapore have been made possible both by these considerable domestic savings and by the flow of capital from abroad. The significant growth in domestic and external demand, together with favourable factor prices and tax structures, has ensured continued profitability of investment. Gross fixed capital formation increased steadily from 22 per cent of GDP in 1965, and after peaking at over 40 per cent of GDP in 1980, stood at 38 per cent in 1990. In the initial periods, the high investment rate was partly financed by foreign savings; in recent years, domestic savings have exceeded the level of investment. This is reflected in large current account surpluses (Chart I.4).

Chart I.4
Current and capital account balances in Singapore, 1980-1990

9. Public investment, even though much lower than private investment, is still substantial. It is heavily concentrated in infrastructural development, including roads, ports and airports, schools and hospitals, public utilities, and in the public housing programme, which accounts for one third of public investment and has now provided housing for more than 80 per cent of the population.

10. Unlike in many other developing countries, Singapore's Government had few reservations about foreign direct investment from the beginning of its industrialisation process in the Sixties. The narrowness of the home market, the absence of a class of industrial entrepreneurs and limited availability of both capital and technology, convinced the Government of the need to attract multinationals. This has been accomplished by ensuring political, social and economic stability, the provision of efficient infrastructure and labour supply, and the use of tax incentives for investment.

11. As a consequence, Singapore depends more heavily on foreign direct investment than most other countries. This is revealed by the high foreign share both of corporate equity in the economy and of net investment commitments in the manufacturing sector. In 1987, foreign capital represented 46 per cent of total equity investment in all industries. The foreign share of net investment commitments in the manufacturing sector was over 70 per cent in most years between 1972 and 1989 and as high as 90 per cent in some years.

12. There is complementary evidence of the dominance of foreign firms in the manufacturing sector. In 1985, foreign firms (both wholly foreign owned and majority foreign ownership) accounted for 70.5 per cent of gross manufacturing output, 65 per cent of value added, 53.4 per cent of employment and 82 per cent of direct exports. Much of the foreign investment was in the form of either wholly or majority foreign owned firms.

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5In 1989, public and private fixed capital formation were respectively, 18.2 per cent and 81.8 per cent of total fixed capital formation.

6Between 1975 and 1984 the share of direct investment in cumulative total long-term capital inflows was 97.7 per cent for Singapore and as low as 2.0 per cent for Korea and 14.3 per cent for Taiwan. In the latter countries foreign capital dependence mainly took the form of external borrowings. (Lim Chong Yah and Associates (1988), Policy Options for the Singapore Economy, McGraw-Hill Book Company.)

7This measure, based on statistics by the Singapore Economic Development Board (EDB), may be biased upwards because a higher proportion of foreign investment projects than of locally financed projects are submitted to the EDB for assistance, as foreigners are more unfamiliar with Singapore than local investors.
13. The rate of return on investment in Singapore has been greater than that in most other countries which were competing with it for foreign capital. For instance, in the period 1983-89, the average rate of return on United States' direct investments in Singapore was 28½ per cent and as high as 36½ per cent in 1988. The average for all developing countries for the period was only 14½ per cent.

14. There appears to be a broad political and social consensus in Singapore that a stable environment is essential to maintaining capital inflows. The behaviour of Government, politicians and trade unions reflects this consensus. Considerable effort is devoted to maintaining cost competitiveness. A significant rôle is also played by the availability of tax incentives to encourage industrial and trade expansion, upgrading of facilities and research and development expenditure (see Chapter IV).

(iv) Employment

15. Rapid economic growth since the mid-1960s and the initial labour intensive pattern of development have together led to a striking transition from a situation of high unemployment to that of labour shortage. The shortages have been alleviated, but not solved, by increases in the female labour force participation rate and by the inflow of foreign labour. Increasing emphasis has also been placed on labour-saving methods of production, involving mechanisation, automation and computerisation. Rapid upward wage adjustments and investment in education and training were the driving forces.

16. An important feature of the Singapore labour market is the influence the Government can exercise on wage determination through the National Wages Council (NWC). The NWC is a tripartite body comprising the Government, the employers and the trade unions, which provides wage guidelines for the entire economy. These guidelines are the outcome of bargaining within the NWC, taking into account factors such as the cost of living, labour productivity and the wages in competing countries. The NWC has considerable influence; its recommendations, it appears, are widely implemented, even though they are not mandatory. The centralised

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8 According to the 1980 Population Census, foreigners (permanent residents and non-residents) account for 10.9 per cent of the Singapore labour force.

9 In 1986, for instance, the perception that high wage costs had eroded export competitiveness led to the implementation of severe wage restraint through the NWC, while the Government suspended the payroll tax and reduced employers' contributions to the CPF. The (Footnote Continued)
collective bargaining process also eliminates "leap-frogging" whereby workers in different industries strive for wage increases to maintain relative standards of living.

17. In 1986 the NWC Subcommittee on Wage Reform argued that the wage determination system should be made more flexible, in particular by introducing a larger variable component in wages related to individual and company performance. Currently, wages in Singapore are generally composed of three elements: a basic wage, a bonus related to the employee's performance and a second bonus related to the performance of the company.

(v) Fiscal policy

18. Singapore's tax structure, including the compulsory savings element in the CPF, and the pattern of Government expenditure have been oriented towards encouraging private investment and undertaking public investment.

19. Conservative financial management has resulted in a budgetary surplus every year in the past decade, except 1987. The overall surplus has averaged 3 per cent of GNP in 1972/73-1989/90 while the current surplus (the overall surplus net of capital revenue and net lending) has averaged 10 per cent of GNP over the same period. Since the mid-1980s, both expenditure and revenue have fallen relative to GNP. This reflects in part the Government's objective of reducing the size of the public sector. The decline in expenditure is also attributable to the reduced need for spending on housing or infrastructure, and the decline in revenue to the tax cuts and price reductions of public utilities undertaken in the wake of the 1985 recession.

20. The tax structure has been designed to encourage savings, investment and to "reward effort and enterprise" (Ministry of Finance, Government of Singapore). Revenue is derived primarily from direct taxes (36 per cent in 1990), indirect taxes (25 per cent) and investment income (28 per cent) (Chart I.5). Income taxes are the largest single component of direct

(Footnote Continued)

increases in other business costs have been moderated, for instance, through the setting up of industrial estates which reduce search and start-up costs and through reductions in the charges of public utilities.

Since that time, NWC's wage guidelines have, according to the Singapore Government, become more qualitative than quantitative in nature. The guidelines are recommendations; companies are encouraged to set wage levels compatible with productivity growth and corporate performance.

Ministry of Labour, Republic of Singapore (1986), Report of the National Wages Council Sub-Committee on Wage Reform.
taxes, accounting for as much as 72½ per cent in 1990, but have been declining in relative importance as the Government has progressively cut corporate income tax from 40 per cent in 1986 to 31 per cent in 1991. Indirect taxes, made up largely of motor vehicle taxes (28.9 per cent in 1990) and customs and excise duties (28.4 per cent), are expected to increase in relative importance with the introduction of a consumption tax. The proposal to shift from direct to indirect taxes was endorsed in the 1986 budget and is intended to encourage both individual savings and the reinvestment of corporate profits.

21. The Government is extensively involved in manufacturing, particularly the ship building and repair industries and petrochemicals. In 1990, the State-owned Temasek Holdings managed 450 companies, with fixed assets of over S$10 billion, and employed 58,000 people.

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11 The likely impact of these changes on the distribution of income is not clear. There is some evidence that income inequality has increased slightly in recent years though there have been dramatic reductions in poverty since independence. (Lim Chong Yah and Associates (1988), op.cit.)

12 According to the Singapore Government, the State's role is just to lead the way by venturing into potentially viable areas where the private sector is hesitant to do so. The companies are privatized when there is "sufficient" private sector interest.
Chart I.5
Government expenditure in Singapore, 1990

SOURCES OF FUNDS: $16,425 MILLION

- Fees and charges (9.2%)
- Income tax (29.9%)
- Financial claims (1.7%)
- Investment income (25.0%)
- Others (4.2%)
- Private lottery duties (0.4%)
- Betting and sweepstake duties (2.7%)
- Other Revenue (35.9%)
- Tax Revenue (64.1%)
- Property tax (6.5%)
- Estate duty (0.3%)
- Stamp duty (4.0%)
- Customs and excise duties (8.0%)
- Motor vehicle taxes (8.1%)

USES OF FUNDS: $16,425 MILLION

- Social and community services (16.4%)
- Economic services (2.0%)
- Debt servicing (11.4%)
- Pensions (1.6%)
- General services (2.1%)
- Defence, justice and police (1.9%)
- Social and community services (4.9%)
- Economic services (16.7%)
- Recurrent expenditure (55.1%)
- Development expenditure (25.6%)
- Surplus (15.3%)
- General services (3.0%)

(vi) Prices

22. Singapore's high economic growth has been combined with price stability. In the 1960-84 period, the Consumer Price Index (CPI) rose on average by 3.8 per cent per annum - one of the lowest inflation rates in the world. The average inflation rate was close to zero in the period 1985-87 on account of the recession. In recent years inflation has increased somewhat with rates of 1¼ per cent in 1988, 2½ per cent in 1989 and 3¼ per cent in 1990 (Table 1.2). The increases are due largely to cost push pressures, attributable to increases in food prices, higher taxes on petrol to reduce use of cars, higher oil prices and higher housing costs. However, inflation rates are still significantly lower in Singapore than in most other countries.

(2) Recent Economic Performance

23. By the end of the 1970s, a growing labour shortage meant that Singapore was losing its comparative advantage in labour intensive industries to competitors from relatively labour abundant and low wage countries. Government initiatives at that time were intended to promote restructuring towards high value added and skill intensive activities through encouraging strong wage increases. Between 1979 and 1984, total labour costs, including employment costs such as CPF contributions and various employment taxes, rose by 10 per cent per annum. Initially, the results seemed to confirm this strategy; real GDP growth over the period 1978-84 averaged 9 per cent. But in 1985 came the first recession Singapore had witnessed since independence, with GDP declining by 1¼ per cent and unemployment up to 4 per cent (Table 1.2).

24. There were three main reasons for the recession: first, weak external demand in the previously strong manufacturing sectors like electronics, as well as services like shipping and tourism. Second, domestic demand was dampened by increased levels of forced savings and had become increasingly reliant on unsustainable public and private construction work. Third, and perhaps most important, wage and cost pressures were not matched by productivity increases and Singapore's competitive position was severely eroded. While traditional labour intensive industries suffered from both reduced demand and cost increases, the development of new high value added industries appears to have been constrained by a shortage of skilled labour with technological expertise.

25. In April 1985, an Economic Committee was set up to review the progress of the Singapore economy and to identify new directions for its future growth. The findings of the Committee are summarised in Annex I.1. Its recommendations were accepted by the Government. Cuts were made in employer and employee taxes and wage restraint was imposed. As a result, labour costs declined in real terms and in 1986, for the first time in five years, productivity gains outpaced wage increases. Cuts in utility charges also helped restore international competitiveness. More general measures included a cut in personal and corporate taxes. Tax incentives were also provided (e.g. in the 1988 budget) to promote the development of services industries, particularly financial services, and to encourage overseas investment.

26. These measures, complemented by strong growth in world trade, helped the economy recover from the second half of 1986. Growth in real GDP has been at least 8 per cent in each of the years from 1987 to 1990. Even in 1990, despite the uncertainty resulting from the Gulf crisis and the recession in the United States' economy, real GDP grew by over 8 per cent. The financial sector grew at over 15 per cent and manufacturing by 9.4 per cent, helped by the growth in exports of electronic components and disk drives.

27. A shortage of both skilled and unskilled labour continues to be a problem, constraining the development of new high value-added manufacturing and services sectors. In 1990, the unemployment rate had declined to less than 2 per cent of the labour force. However, it appears that disincentives to the employment of immigrant labour have in some cases been increased; the levy payable by employers on foreign workers was raised to S$300 and the ceiling on the proportion of foreign workers employed in a company was reduced from 50 to 40 per cent. These measures have since been somewhat relaxed.

28. The present pattern of equity investment reveals the emphasis during the 1980s on high technology products and services. There has been a shift

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14 The employer's contribution to the CPF was reduced in 1986 from 25 to 10 per cent of salaries. The payroll tax, previously 2 per cent of salaries, was suspended and the skill development tax was halved from 4 per cent for a three-year period. Greater flexibility was also introduced in the wage bargaining process and attempts were made to link wage awards to productivity changes.

15 To some extent this is attributable to the specific advantages accruing to Singapore from the Gulf crisis, in terms of the increased demand for its oil refining and trading industries.

towards financial and business services and the electronics industry, and away from other manufacturing (Chart I.6). Between 1985 and 1989, the sharpest rise in new investment commitments (i.e. investment projects notified to the Economic Development Board and assessed to be likely to be undertaken) was in industries which are relatively intensive in their use of skilled labour and technology, such as industrial chemicals, petroleum and electronic products.
Chart I.6
Structure of Equity Investment in Singapore, 1971–87 a

1971
- Commerce and transport (25.6%)
- Other manufacturing (26.9%)
- Chemicals (1.4%)
- Petroleum (9.8%)
- Electronics (1.8%)
- Other (3.3%)

1979
- Commerce and transport (26.3%)
- Other manufacturing (22.4%)
- Chemicals (2.6%)
- Petroleum (10.4%)
- Electronics (6.1%)
- Other (3.0%)

1987
- Commerce and transport (22.1%)
- Other manufacturing (17.1%)
- Chemicals (4.7%)
- Petroleum (3.3%)
- Electronics (10.2%)
- Other (2.8%)

a Percentages shown are the share of each sector in the total equity investment of all companies at year-end, excluding investment holding companies.

Source: Government of Singapore.
(3) Trade Performance

29. International trade constitutes an important component of Singapore's economy. In 1990, the value of merchandise trade was around 360 per cent of GDP, compared with 320 per cent in 1980. The merchandise trade balance has consistently recorded deficits (Table I.2). During the second half of the 1980s, the volume of merchandise exports has increased more rapidly than imports. However, in 1990, the volume of merchandise imports grew by 14.5 per cent compared to the 9 per cent growth of exports (Table I.4).

(i) Commodity pattern of trade

30. The external trade of Singapore can be broadly classified into three components: imports, domestic exports and entrepôt trade or re-exports (Chart I.7). Domestic exports refer to goods that are of Singapore origin while re-exports refer to all goods exported from Singapore without substantial transformation.

31. Over the years, the share of domestic exports in total exports has increased rapidly, from less than one-quarter in 1965 to more than 60 per cent during the 1980s. In 1990, domestic exports accounted for two-thirds of the total, reflecting the continuing rise in importance of the manufacturing sector (Table AI.5). Office machinery and telecommunications apparatus have become the leading export product group in Singapore, accounting for more than 36 per cent of total exports in 1990, up from 14 per cent in 1980. Fuels ranked next with a share of 18 per cent (Table I.5).

32. Since the mid-1980s, office machinery and telecommunications apparatus have also been Singapore's most important merchandise imports, followed by fuels (Table I.6). This picture reflects the continuing expansion of Singapore's manufacturing sector, in particular, the rapid growth of the electrical and electronics industry which had generated strong import demand for industrial equipment, parts and components. The share of machinery and transport equipment in total merchandise imports has also increased significantly over the past two decades, while food, live animals and crude materials were on the decline (Table AI.6).

17 For statistical purposes, the Government defines re-exports as referring to all goods which are exported from Singapore in the same form as they have been imported without any transformation. Goods re-packed, divided into lots, sorted or graded, marked and the like are not considered as having undergone the process of transformation. Domestic exports refers to exports of Singapore origin and comprise primary commodities grown or produced in Singapore, and goods which have been transformed, that is, manufactured, assembled or processed in Singapore, including those with imported materials or parts.
33. The most important single import item is crude petroleum, accounting for 11 1/2 per cent of total merchandise imports in 1990. It is mainly used by Singapore's petroleum refining industry. Refined petroleum represented 17 1/2 per cent of Singapore's total merchandise exports in 1990 (Table AI.1).

(ii) Regional pattern of trade

34. Singapore's merchandise exports are increasingly oriented towards developed countries (Chart I.8). Their share has increased by about 10 per cent since 1980 to reach 50 per cent in 1990. Exports to the United States, Singapore's major market (21 1/2 per cent in 1990), have registered the highest growth rates over the past decade. Main product
areas are data processing machines, electronic valves and telecommunication equipment.

35. In 1990, developing countries accounted for 47½ per cent of total exports, down from 55 per cent in 1980. However, the share of ASEAN countries appears to have remained stable at about one-quarter (Table I.7). Malaysia, Thailand, Hong Kong and Taiwan are important destinations. In 1990, together they represented more than 30 per cent of merchandise exports (Table AI.2).

36. Japan is the principal source of Singapore's imports, accounting for one-fifth of merchandise imports in 1990. Japan is a major supplier of electronic components, telecommunications equipment and video and sound recorders. The United States, the European Communities and Malaysia rank next (Table I.7). Between 1980 and 1990, Taiwan, Hong Kong and Korea have become important import sources.

18 The United States, the European Communities, Malaysia and Japan are Singapore's top four markets, accounting for about 58 per cent of the country's total exports in 1990 (Table I.7).

19 According to Indonesian sources, its imports from Singapore were valued at US$0.9 billion in 1990. In the same year, Indonesia's exports to Singapore were at US$1.7 billion. (See GATT (1991), Trade Policy Review of Indonesia.)
Chart I.8
Main trading partners of Singapore, 1990

Imports

- United States (16.0%)
- Japan (20.2%)
- Malaysia (13.6%)
- E.C. (12.8%)
- Saudi Arabia (5.3%)
- Taiwan (4.8%)
- China (3.4%)
- Hong Kong (3.1%)
- Others (20.8%)

Exports

- United States (21.3%)
- E.C. (14.4%)
- Malaysia (13.1%)
- Japan (8.7%)
- Thailand (6.6%)
- Hong Kong (6.5%)
- Taiwan (4.9%)
- Others (22.0%)
- Australia (2.5%)

Source: UNSO, Comtrade data base.
37. Economic growth in Singapore is expected to decline slightly in 1991 as the effects of the slowdown in the industrialized countries continue to be felt. In the first quarter of 1991, GDP grew by about 7 per cent compared with the same period in 1990. The Government's official 1991 GDP forecasts are for growth of between 3 and 6 per cent. Inflation, which reached 3.5 per cent in 1990, up from 2.4 per cent the year before, is expected to decline slightly to about 3 per cent in 1991.

38. Two positive influences on economic growth will be a sustained internal demand and the rapid economic growth of neighbouring countries which are promising markets for Singapore's exports. Domestic demand is likely to be boosted by increased government spending on infrastructure even though private consumption continues to grow sluggishly. Despite the slowdown in the United States economy, the volume of total visible exports in the first quarter of 1991 was 12.9 per cent up on the equivalent period in 1990, revealing the increased importance of alternative markets. The development in recent years of a broader base of economic activity, especially the expansion of the financial and business sector, also improves the prospects for sustained growth.

39. Despite the trade deficit, export of services arising from Singapore's expanding rôle as a regional centre for financial, transport and petrochemical services, will keep the current account in surplus at about S$2 billion in 1991. A large surplus in both the services and capital accounts will lead to a favourable overall balance of payments.

40. The major constraint on Singapore's transformation into a high-technology economy will continue to be the shortage of skilled workers. In future, these shortages are likely to affect dynamic sectors like business and financial services. More generally, if productivity gains fail to keep up with the increase in real wages, international competitiveness may be eroded. A lot will depend on how successfully the Government encourages the immigration of skilled labour and the move of production to relatively labour abundant neighbouring countries.
CAUSES OF RECESSION AND POLICY CHANGES

Causes of recession
External factors:
- global demand conditions
- the USA
- the region

Internal factors:
- loss of competitiveness
- construction slump
- savings and investment imbalance
- rigidity

Policy changes
Cost reduction:
- reduce employer CPF rate to 10%
- restrain wages for two years
- reduce other costs

Savings and investments:
- temporarily reduce savings rates
- increase investment rate
- reduce corporate and personal income taxes to 30%

Flexibility:
- reform the wage system

FUTURE POSITION

Present position
High GDP and income levels
Not fully developed in terms of:
- education
- structure of firms
Not very far ahead of other NICs

Trends
- Stiffer competition
- Slower trade in goods
- Tougher investment promotion
- Opportunities in services
- Regional uncertainties
- One certainty: our smallness

Future position
- Fully developed economy, with an edge
- Better business environment than in OECD
- International total business centre
- Exporter of services

NEW DIRECTIONS

Fundamentals
- Good government
- Efficient infrastructure
- Education
- Free enterprise
- Flexibility

Strategies
- Allocate resources correctly to productive purposes
- Maintain a high savings rate
- Create a conducive business environment:
  competitive costs
  low corporate and income taxes
  friendly regulations
  good work attitudes
- Depend on the private sector
- Promote offshore activities
- Nurture both MNCs and local companies

Key policies
- Taxation
- Wages
- Manpower supply
- Educating and training
- Productivity
- Local businesses
- Promotion of services
- High technology and R&D
- Information technology

### Annex I.2
**Investment Incentives in Singapore**

<table>
<thead>
<tr>
<th>Tax incentives</th>
<th>Qualifying activities</th>
<th>Minimum requirement</th>
<th>Tax concessions</th>
</tr>
</thead>
</table>
| Pioneer Status                  | Eligible manufacturing and service activities                                           | (i) The project introduces technology, know-how or skills into an industry which is substantially more advanced than that of the average level prevailing in that industry; and  
(ii) There are no companies in Singapore performing a similar activity without being awarded the pioneer incentives |
|                                 |                                                                                        | Minimum investment of $10 million in new productive equipment and machinery (for manufacturing activities only) |
| Expansion Incentive             | Eligible manufacturing and service activities                                           | Qualifying period of up to 5 years within which specified investments must be made |
|                                 |                                                                                        | The Operation Headquarters should manage related companies outside Singapore. They must provide approved headquarters services to related overseas companies from Singapore |
|                                 |                                                                                        | Income arising from the provision in Singapore of approved services will be taxed at 10 per cent. Other income from overseas subsidiaries and associated companies may also be eligible for effective tax relief. Incentive will be up to 10 years with provision for extension |
| Investment Allowance Incentive  | Eligible manufacturing and service activities; approved research and development activities; approved projects for reducing consumption of potable water | Exemption of 31 per cent tax on profits in excess of pre-expansion level. Tax relief period of up to 5 years |
| Operational Headquarters (OHQ)  | Eligible headquarters operations                                                        | Exemption of taxable income of an amount equal to a specified proportion (up to 50 per cent) of new fixed investment |
| Export of Service               | Eligible service activities                                                             | Exemption of 31 per cent tax on profits arising from pioneer activity. Tax relief period is 5-10 years |
| Post-Pioneer Incentive          | Eligible companies enjoying pioneer status and export incentive where export incentive is a follow-up to the pioneer status previously awarded | Companies must be enjoying pioneer status or export incentive on or after 1 April 1986 and should incur additional investments |
|                                 |                                                                                        | Corporate tax rate of 15 per cent for up to 5 years upon expiry of pioneer or export incentives |

(cont'd)
<table>
<thead>
<tr>
<th>Tax incentives</th>
<th>Qualifying activities</th>
<th>Minimum requirement</th>
<th>Tax concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture Capital Incentive</td>
<td>Investment by eligible companies and individuals in approved new technology projects</td>
<td>Companies must be at least 50 per cent owned by Singapore citizens or Singapore permanent residents, and incorporated and resident in Singapore for tax purposes</td>
<td>Losses incurred from the sales of shares, up to 100 per cent of equity invested, can be set off against the investor's other taxable income</td>
</tr>
<tr>
<td>International Direct Investment Incentive</td>
<td>Investment by eligible companies in approved overseas projects</td>
<td>Companies must be at least 50 per cent owned by Singapore citizens or Singapore permanent residents and incorporated and resident in Singapore for tax purposes</td>
<td>Losses incurred from sale of shares or liquidation of the overseas company, up to 100 per cent of equity invested can be set off against the investor's other taxable income</td>
</tr>
<tr>
<td>Approved Foreign Loan Scheme</td>
<td>Eligible manufacturing and service activities</td>
<td>Minimum loan of $200,000 from a foreign lender for purchase of productive equipment. Tax relief should not result in an increase in tax liability in the foreign country</td>
<td>Exemption of withholding tax on interest</td>
</tr>
<tr>
<td>Approved Royalites</td>
<td>Eligible manufacturing and service activities</td>
<td>Tax relief should not result in an increase in tax liability in the foreign country</td>
<td>Full or partial exemption of withholding tax on royalties</td>
</tr>
</tbody>
</table>

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) General Framework

41. Singapore has a parliamentary system of Government with a unicameral legislature. Under the Constitution, the executive power is vested in the President. He designates as Prime Minister that Member of Parliament who enjoys the support of a majority. Also, on advice of the Prime Minister, the President appoints the Cabinet Ministers from among Parliamentarians.

42. The Cabinet is in charge of all governmental policies and their day-to-day administration; it is collectively responsible to Parliament.

43. The Parliament of Singapore consists of 81 members elected by universal suffrage, in single-member wards and Group Representation Constituencies. In addition, the Constitution provides for the selection of up to six Non-constituency Members of Parliament (NCMP) from members of political parties not forming the government and for up to six Nominated Members who are appointed by a Special Select Committee.

44. The Parliament has a constitutional term of five years. It can be dissolved earlier, in which case a general election must be held within three months. All laws in Singapore, including trade and trade-related legislation, must be passed by Parliament and must receive Presidential assent.

45. Singapore's judiciary lies with the Supreme Court and its subordinate courts. All judges of the Supreme Court are appointed by the President, on

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1 Until 1991, the President was elected by Parliament for a four-year term. A recent amendment to the Constitution provides for the President to be elected directly by the people for a six-year term. The amendment empowers the President to withhold his assent to supply bills, to scrutinize the Government's exercise of powers under the Internal Security Act as well as under religious harmony laws and to concur on investigations into cases of corruption. He can dismiss members of Government.

2 The Group Representation Constituencies, introduced in 1988 by an amendment to the Constitution, are designed to provide for continued representation in Parliament of minority races.

3 The Nominated and Non-constituency Members of Parliament enjoy in principle the same rights and privileges as other elected Members of Parliament. However, they cannot vote on any motion relating to a constitutional amendment, a motion of no-confidence and on money bills.

4 Since 1959, Singapore's People's Action Party (PAP) has enjoyed a strong majority in Parliament. At present, following the August 1991 election, there are four opposition members.

5 See also the TPRM report by the Government of Singapore.
advice of the Prime Minister. They are held, however, by the Constitution to apply law independently of the executive.  

(2) **Structure of Trade Policy Formulation**

(i) **Executive branches of Government**

46. Almost all issues concerning industrial and trade policies, including the co-ordination of long-term economic development strategies, are under the purview of the Ministry of Trade and Industry (MTI). Its organizational structure is shown in Chart II.1.

47. The Singapore Trade Development Board (TDB), reporting to the Trade Division of the MTI, is the statutory board responsible for the implementation of trade policies. This includes trade controls and trade promotion. Policies on industry, investment, workers' training and productivity, and research and development are under the purview of the Industry Division. The Economic Development Board (EDB) is the statutory board responsible for their implementation. The EDB, as an example, administers Singapore's investment incentive schemes. Issues related to industrial standards and development of new processes and products are dealt with by the Singapore Institute of Standards and Industrial Research (SISIR), also under the Industry Division of the MTI. Standard-related issues and trade controls in the agricultural sphere are within the province of the Primary Production Department.

48. Inter-ministerial consultations in the process of trade policy formulation and implementation may involve the Ministry of Finance - which oversees the Department of Customs and Excise and the Monetary Authority of Singapore - and the Ministry of National Development (Chart II.2). Any tariff changes must be approved by Parliament, in the context of the annual budget debate.

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6The Supreme Court may declare a law unconstitutional and, thus, null and void if it infringes the Singapore Constitution. Also, the Supreme Court is empowered to decide whether subsidiary legislation is in line with higher-ranking law. Finally, it may review the action of public officials.

7In total, there are 14 ministries in Singapore: Communication; Community Development; Defence; Education; the Environment; Finance; Foreign Affairs; Health; Home Affairs; Information and the Arts; Labour; Law; National Development; and Trade and Industry.

8The Department of Customs and Excise administers the collection of duties on international trade and of excise duties. The Monetary Authority of Singapore (MAS) is the Government body to perform all functions normally conferred on a central bank with the exception of issuing currency. This includes monetary and exchange rate policies. The MAS also serves as a banker to and a financial agent of the Government.
Chart II.1
Organisational structure of the Ministry of Trade and Industry in Singapore

Ministry of Trade and Industry

Industry Division
- Economic Development Board
- Singapore Institute of Standards and Industrial Research
- National Productivity Board
- National Science and Technology Board
- Jurong Town Corporation
- Public Utilities Board
- Sentosa Development Corporation
- Singapore Tourism Promotion Board

Administration Division
- Department of Statistics

Trade Division

Research and Planning Division
- Weights and Measures Office
- Trade Development Board
- Rubber Association of Singapore

Source: Government of Singapore.
Chart II.2
Coordination of trade and trade-related policies in Singapore

Ministry of Finance

- Department of Customs and Excise:
  - import and export declarations
  - collection of tariffs
  - customs inspections
  - customs valuation

- Monetary Authority of Singapore:
  - monetary policy
  - exchange rate policy
  - balance-of-payments statistics

Ministry of Trade and Industry

- Trade Development Board:
  - import and export declarations
  - export certification
  - administration of quotas
  - import and export permits and licensing
  - trade promotion

- Economic Development Board:
  - investment policy measures
  - regional cooperation/Growth Triangle

Ministry of National Development

- Primary Production Department:
  - import and export licensing
  - sanitary and phytosanitary inspection measures

- Singapore Institute of Standards and Industrial Research:
  - product testing
  - technical standards
  - certification

Source: Government of Singapore.
(ii) Advisory bodies

49. The Ministry of Trade and Industry maintains a variety of formal and informal contacts with the business sector in order to receive information, for example, on the impact of domestic economic policies or on export problems, and political advice. For example, in 1985, a committee (the Economic Committee) was formally established to review the measures taken against Singapore's then recession. Also in 1985, the Ministry of Trade and Industry initiated a series of regular meetings with the Singapore Federation of Chambers of Commerce and Industry. The terms of reference of these meetings are: (i) to promote a more effective dialogue between the Government and the private sector; (ii) to study how local businesses could be encouraged and upgraded with Government assistance; and (iii) to help increase productivity in both the public and private sectors by streamlining administration procedures. In December 1989, an Economic Planning Committee was set up with the aim of providing a forum for government officials and private sector representatives to formulate and co-ordinate economic development plans and strategies for the future.

50. Private sector representatives are also invited to serve on the boards of the statutory agencies within the province of the Ministry of Trade and Industry.

51. The Ministry of Trade and Industry works with the Consumers' Association of Singapore, an independent association established in 1971, with a view to improving legislation on consumer protection. The Association is also involved, through representation in various technical committees of SISIR, in the formulation of standards for consumer products.

(iii) Review bodies

52. There is no independent body in Singapore with a mandate to publicly and regularly review and assess economic policy issues and to provide advice. Also, there is at present no intention to establish such a body.

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9 The Singapore Federation of Chambers of Commerce and Industry is governed by a Council comprising 20 members, with equal representation from the Singapore Chinese Chamber of Commerce and Industry, the Singapore Indian Chamber of Commerce, the Singapore International Chamber of Commerce, the Singapore Malay Chamber of Commerce and the Singapore Manufacturers' Association.
(3) Trade Policy Objectives

(i) General trade policy objectives

53. Singapore's general economic philosophy is to allow market forces to determine the allocation of resources among sectors and the basic economic structure. All sectors should, in principle, be exposed to the same economic conditions. Accordingly, the Government's trade policy approach since the early 1970s may be characterized as outward-looking and market-oriented. The stated top priority is to combat trade barriers, under whatever guise (unilateral actions, regional trading blocks, etc) by working for precise, transparent and fair international trading rules. This entails strong support for the GATT, which is viewed as an important forum to protect Singapore's trade interests against discriminatory and protectionist policies of major trading partners.

54. Singapore's negotiating objectives in the Uruguay Round focus in particular on expanding tariff concessions, strengthening rules of origin and the rules on anti-dumping and countervailing actions, ensuring the m.f.n. application of safeguards, and developing a more efficient and expeditious GATT dispute settlement system. Singapore also seeks to secure a services agreement covering sectors of interest to both developed and developing countries.

(ii) Sectoral trade policy objectives

55. As a matter of principle, Singapore does not maintain major policy schemes or measures targeted at narrowly defined sectors. This basic restraint from Government interference also applies to product areas that may be deemed essential for strategic or security reasons. For example, except for a stockpile scheme on rice, there are no policies to maintain national reserves or production capacities in whatever sectors.

(4) General Trade Laws and Regulations

56. Singapore has no basic trade law. Rather, individual trade policy aspects - tariffs, trade prohibitions, controls and registration requirements - are dealt with separately by specific legislation. For example, the Customs Act provides a basis for all tariff-related measures such as the imposition of tariffs, sales in duty-free shops, customs valuation, and duty drawbacks. Additional Customs Regulations (Orders) serve to implement and enforce the relevant provisions. The current levels of import duties, including preferential rates for ASEAN suppliers, and of excise taxes are laid down in the Customs Duties Order of 1989.
57. Trade controls and prohibitions are governed by the Controls of Imports and Exports Act. It empowers the Minister for Trade and Industry to regulate, as necessary, trade in any goods.\(^\text{10}\) In addition, there is a variety of laws providing for trade measures with a view to safeguarding the sanitary and phytosanitary status of the country and/or implementing international obligations, for example, under the Convention on International Trade in Endangered Species of wild fauna and flora (CITES) and the Montreal Protocol (Chapter IV).\(^\text{11}\)

(5) **Trade Agreements and Arrangements**

(i) **Multilateral agreements**

58. In August 1973, Singapore became a contracting party to the GATT.\(^\text{12}\) It is a signatory to the Tokyo Round Agreements on Technical Barriers to Trade (since 1980), Government Procurement (since 1980), Import Licensing (since 1984), and Anti-Dumping (since 1984). Singapore has observer status in the Agreements on Customs Valuation, Subsidies and Countervailing Duties, and Trade in Civil Aircraft.

59. According to the Singapore Government, there was no pressing need to accede to the Customs Valuation Code and to change the established valuation system as it had not given rise to complaints thus far.\(^\text{13}\) Singapore's reluctance with respect to the Subsidies Code was explained by the unilateral interpretation of some Code provisions by one signatory (United States). Singapore would however be prepared to consider accession to these Codes in the light of the outcome of the Uruguay Round and the extent to which the interests of exporters and importers are balanced.

60. Singapore's legislation does not define the legal status of GATT under national law. Accordingly, GATT obligations do not form part of the domestic legal system; individual citizens or companies cannot invoke GATT rules before national courts.

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\(^\text{10}\) Details of prohibitions and controls under this Act are given in Chapter IV.

\(^\text{11}\) Trade controls on sanitary and phytosanitary grounds may be taken on the basis of the Animals and Birds Act or the Agricultural Pests Act.

\(^\text{12}\) Singapore acquired its status as a contracting party under Article XXVI:5(c) (succession). Its rights and obligations date from 9 August 1965, the date of its independence (GATT, BISD 20S/19).

\(^\text{13}\) Customs valuation in Singapore conforms to the Brussels Definition of Value (BDV).
61. Singapore accords m.f.n. treatment to both GATT and non-GATT members alike, except for preferences in the ASEAN context (see following section).

62. Singapore is a member of several multilateral organizations related to economic development and/or trade, including UNCTAD, the World Bank, the International Monetary Fund and the Asian Development Bank. It participates in the International Coffee Agreement (ICA), the Association of Natural Rubber Producing Countries (ANRPC) and, within the ANRPC, the International Natural Rubber Agreement on Price Stabilization. The latter Agreement involves the operation of a buffer stock as well as a supply rationalization scheme with a view to stabilizing prices of natural rubber.

(ii) Regional trading arrangements

63. Singapore is one of the founding members of the Association of South East Asian Nations (ASEAN), formed in 1967. ASEAN serves as a forum for trade cooperation and regional stabilization policies. The ASEAN Preferential Trading Arrangement, established in February 1977, provides for preferences in Government procurement, preferential trade liberalization in the tariff and non-tariff areas and any further trade-related measures mutually agreed upon. The exchange of tariff preferences is considered to have thus far been the most important area of cooperation. The relevant negotiations are conducted by the ASEAN Committee on Trade and Tourism under the authority of the ASEAN Economic Ministers.

64. Tariff preferences may also be offered under the ASEAN Industrial Joint Venture Scheme for products from joint ventures in which nationals or entities from at least two ASEAN members participate. Non-ASEAN equity shares must not exceed 60 per cent (until 31 December 1993).

65. The ASEAN countries have common arrangements for economic, social and cultural co-operation with Australia, Canada, the European Communities, Japan, New Zealand, the Republic of Korea, and the United States. In this context, financial and technical assistance, for example, through establishing trade promotion centres, is provided by the partner countries.

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14 The other founding members were Indonesia, Malaysia, the Philippines, and Thailand. Brunei Darussalam joined in January 1984.

15 Singapore's has granted preferential tariffs on 406 items and the binding at zero levels of 87.5 per cent of its tariff schedule. For details see Chapter IV.

16 After December 1993, the upper limit for non-ASEAN share will be 49 per cent.
66. Singapore's economic cooperation with two ASEAN partners, Indonesia and Malaysia, seems set to enter a new phase in the context of a proposed "Growth Triangle". Under the concept, the Indonesian Riau island and the Malaysian State of Johor would provide land, energy, water and labour for growth industries while Singapore would contribute capital and management expertise. The project is intended, from Singapore's perspective, to remove growth constraints on domestic industries to expand their resource base and to generate, in the common interest, new opportunities for regional development. According to the Singapore authorities, the final outcome of the project would entirely depend on the corporate decisions of entrepreneurs and investors in Singapore, Johor and Riau.17

67. The Singapore Government has declared its readiness, in principle, to consider participating in any GATT-consistent fora aimed at fostering closer links with trading partners in the region. Singapore participates in the newly-formed East Asian Economic Caucus, agreement on which was signed in October 1991. The aim of the Caucus is to create a free-trade area within 15 years.

(iii) **Bilateral agreements**

68. Singapore has bilateral agreements on trade, transit and/or economic cooperation with a number of countries, including Bulgaria, China, France, Indonesia, Israel, Korea, Poland, the Soviet Union and Sri Lanka. According to the Singapore Government, these arrangements do not provide for preferential market access.18

(iv) **Other agreements or arrangements**

69. Singapore is a party to the Global System of Trade Preferences among Developing Countries (GSTP). Singapore became a signatory to the Agreement on the GSTP in April 1989. In this context, Singapore undertook to bind tariffs on three items (Chapter IV).

70. A range of Singapore's exports benefits from tariff preferences under GSP schemes (Generalized System of Preferences). Singapore views these

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17 According to press reports, by September 1991, some 40 companies have already decided to invest in the first phase of an industrial park in Riau (MOCI, No. 908, 2 September 1991).

18 In October 1991, Singapore has signed a framework trade agreement with the United States - the first such trade accord between the United States and a country from the region. The accord will apparently provide a mechanism and agenda for consultations on trade issues of bilateral interest (United States Mission, Daily Bulletin, 20 September 1991; and Financial Times, 1 October 1991).
schemes as a useful instrument to help developing countries increase export earnings, promote industrialization and accelerate economic growth.\textsuperscript{19}

71. Under the Multi-Fibre Agreement (MFA IV), Singapore has agreed on bilateral restraints with five participants: Canada, the European Communities, Norway, Sweden and the United States (Chapters IV and V).

\textsuperscript{19} At present, Singapore is eligible for GSP preferences from Australia, Austria, Bulgaria, Canada, the Czech and Slovak Federal Republic, the European Communities, Finland, Hungary, Japan, Norway, Poland, Sweden, Switzerland, and the Soviet Union. Since 1985, New Zealand has no longer granted GSP treatment on the grounds that Singapore's per capita income reached 70 per cent of New Zealand's. Also, as from 1 January 1989, the United States "graduated" Singapore from GSP.

Major commodities exported by Singapore under GSP schemes are antibiotics, cameras, electronic calculators, circuit breakers, plywood, projectors, refrigerator compressor motors and transistors.
III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

(1) Exchange Rate Movements and Trade

72. Since 1973, Singapore has had a managed floating exchange rate régime. The exchange rate of the Singapore dollar is freely determined in the foreign exchange market. However, the Monetary Authority of Singapore monitors the external value of the Singapore dollar against a trade-weighted basket of currencies whose precise composition is not disclosed. Since 1972, the United States dollar has been the intervention currency and the rates for other currencies are established on the basis of their cross rates in international markets.

73. The Monetary Authority of Singapore has, since the early 1980s, chosen to target the nominal exchange rate rather than the interest rate or the growth of money supply (MAS Annual Reports 1981/82, 1989/90). This choice is explained by its objective of primarily ensuring price stability complemented by its view that the exchange rate is the most important anti-inflationary instrument in a small open economy like Singapore's.

74. The MAS has been free to use the nominal exchange rate primarily to control inflation because its impact on trade flows has not been a major concern. This is for several reasons. First, changes in the nominal exchange rate are not deemed to have much effect on international prices (or the terms of trade) because Singapore is a small country in the world market for most products. Secondly, since the traded input content of tradeables is extremely high, the impact of a nominal exchange rate change on the profitability of tradeable production depends largely on the extent to which real wages are affected. But in practice, the Government of Singapore appears to exercise considerable direct influence on wage determination - and hence the real exchange rate - through the NWC, and therefore does not need to resort to manipulation of the nominal exchange rate (see Chapter I for a discussion of the NWC). Furthermore, the

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2 However, the MAS has also had to conduct money market operations to ensure stable money supply growth. The persistent Government budget surpluses and high net CPF contributions would have had a contractionary effect on money supply without the intervention of the MAS. Funds have been recycled back into the system primarily through swap transactions and interbank operations (Asian Development Bank, Asian Development Outlook, 1991; Monetary Authority of Singapore, Annual Report, 1989/90).

3 This is because the positive impact of a nominal depreciation on tradeable good competitiveness is in part offset by an increase in the price of tradeable inputs.

4 The Economic Survey of Singapore, 1990, p. 21, explains the slight deterioration in
Government has invariably been able to influence competitiveness by various supply-side measures. For instance, business costs have been affected by changes, not only in wages, but also in corporate and property taxes, the statutory charges for Government services (rents, utilities, communications, etc.), and the employers' contribution to the CPF (see Chapter I).

75. The fundamental conditions of strong economic growth and large capital inflows, complemented by the Government's anti-inflationary policy, have generally led to the appreciation of the Singapore dollar against major currencies in recent years. Individual movements in the nominal exchange rates between the Singapore dollar and the currencies of selected trading partners are shown in Chart III.1. Overall, the nominal effective exchange rate appreciated by 7.7 per cent in 1990, following the 6.8 per cent appreciation of 1989 (Table III.1 and Chart III.2).

76. In conducing exchange rate policy, the Monetary Authority of Singapore has a stated policy of promoting non-inflationary economic growth with particular emphasis on price stability. The MAS is also concerned to avoid unhealthy speculation against the Singapore dollar. It may thus intervene in the foreign exchange market when exogenous market conditions threaten to force the exchange rate out of an undisclosed target band. The target band itself seems to be determined more by policy considerations

(Footnote Continued)

Singapore's competitiveness vis-à-vis the other Newly Industrializing Economies thus, "Although wage increases in the other NIEs were higher than in Singapore, their weaker currencies compensated for the high wage increases. As a result the relative unit labour cost of our manufacturing sector in US dollar terms rose by 8.1 per cent vis-à-vis the other NIEs." While this may suggest that the exchange rate does in fact affect competitiveness, it is only to the extent that the State is able to prevent nominal wages from responding to exchange rate changes. (See also Lim Chong Yah and Associates (1988), Policy Options for the Singapore Economy).

5These features of the Singapore economy imply that a strong exchange rate, while it has little adverse affect on the tradeable goods sector, provides significant benefits in terms of controlling inflation. The high trade dependency of the Singapore economy suggests that a depreciation would rapidly affect domestic prices through cost push pressures (which would be accentuated if there was some real wage resistance). Furthermore, the smallness of the non-traded goods sector implies that such price increases would be immediately widespread. In 1989, for instance, while foreign inflation rates were rising, the strength of the currency helped to keep the imported component of Singapore's inflation low (Monetary Authority of Singapore, Annual Report, 1989/90). While more recently, in the first quarter of 1991, the slight depreciation of the currency is attributable to the easing of inflationary pressures.

6In 1990, the exchange rate of the Singapore dollar was allowed to appreciate against the US dollar by almost 8 per cent although it held stable or depreciated against other major currencies (e.g. those of the European Exchange Rate Mechanism). There was a slight depreciation in the first quarter of 1991, but the currency has gained ground since then.

7For example, the Authority intervened effectively in September 1985 to repel speculation against the domestic currency (see MAS Annual Report 1985/86).
than by market forces, but such a policy could not have been sustained if it was entirely inconsistent with market forces. Inspection of Chart III.2 suggests that the MAS has been fairly successful in the 1980s in stabilizing the nominal effective exchange rate.\(^8\)

77. There has been a persistent forward premium on the Singapore dollar, which has been reflected in domestic interest rates remaining below foreign interest rates. The interest rate differentials have generally fluctuated within a negligible margin because domestic and foreign financial markets are closely integrated and there are no controls over capital flows and foreign exchange transactions.

**Chart III.1**
Exchange rate movements of the Singapore dollar against selected foreign currencies, 1980-90

<table>
<thead>
<tr>
<th>S $/unit of foreign currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>


- US Dollar
- Pound Sterling
- Deutsche Mark
- Japanese Yen
- Malaysian Ringgit
- Hong Kong Dollar

**Source**: Monetary Authority of Singapore.

\(^8\) It was not possible to obtain estimates of the real effective exchange rate for the recent periods. A.H.H. Tan and B. Kapur (1986), *Pacific Growth and Financial Interdependence*, find evidence that the variability of Singapore's real import-weighted effective exchange rate (a) increased significantly after 1973, the year in which the Singapore dollar was floated, and (b) was much greater than the variability in the real effective exchange rate of countries like South Korea, Thailand and the Philippines, which had unofficially pegged their exchange rates to the US dollar. Bee-Yan Aw (1991), *Singapore*, in D. Papageorgiou, et al. (eds.), *Liberalizing Foreign Trade*, finds that the exchange rate was stable in both real and nominal terms for much of the 1970s.
Chart III.2
Nominal effective exchange rate and volume of Singapore's imports and exports, 1980-90
Index 1985=100


(2) Foreign Exchange Allocation

78. Since 1 June 1978, there have been no foreign exchange controls in Singapore, but the Monetary Authority of Singapore retains responsibility for exchange control matters. Banks are free to deal spot and forward in all currencies, with no limits on maturities or underlying transactions. There are no taxes or subsidies on purchases or sales of foreign exchange. There are no restrictions on the allocation of foreign exchange to all importers whether for goods or services. No exchange control formalities are required for all forms of payments or capital transfers.

79. All payments for invisibles may be made without restrictions. There are no restrictions on the amount of foreign exchange made available for

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The Monetary Authority of Singapore requires, for example, banks to observe its policy of "discouraging the internationalization of the Singapore dollar". Banks are required to consult the Authority before considering Singapore dollar credit facilities above S$5 million to nonresidents, or to residents when the currency is to be used outside Singapore.
travel abroad. Remittances to non-residents of dividends, interest, and profits may be made freely. Receipts from exports of goods and services and invisibles need not be surrendered.  

(3) **Foreign Direct Investment and Trade**

(i) **The regulatory framework**

80. There is no foreign investment legislation as such in Singapore. Apart from minor regulations regarding safety, pollution and industrial relations, there are no controls on direct investment. The Government of Singapore makes no distinction between local and foreign capital. Legislation offering incentives for private industrial development is open to both sources equally. There is generally no restriction on the foreign ownership of business entities in Singapore. There are no antimonopoly laws and no limits placed on profit remittances, technology payments, or capital repatriation overseas.

81. Foreign investors are exempted from tax on income derived from currency deposits in approved banks, Asian dollar bonds, and credit facilities for the purchase of productive equipment for approved projects. Foreigners are also exempted from Singapore estate duties on deposits in Asian Currency Units, approved Asian dollar bonds, approved Singapore Government tax-free bonds, stocks and securities.

82. Provisions to eliminate or minimize double taxation have been incorporated into treaties with a certain number of countries (Australia, Bangladesh, Belgium, Canada, China, Denmark, Finland, India, Israel, Italy, Germany, France, Japan, Malaysia, the Netherlands, New Zealand, Norway, the Philippines, Taiwan, Thailand, South Korea, Sri Lanka, Sweden, Switzerland, and the United Kingdom). Singapore has also signed a number of investment guarantee agreements under which investments by nationals or companies of

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10 International Monetary Fund (1991), *op. cit.*

11 Certain provisions concerning foreign investment are contained in various laws such as the Economic Expansion Incentives (Relief from Income Tax) Act 1985, Control of Manufactures Act, Banking Act, and Finance Companies Act.

12 There are no restrictions on portfolio or equity investments, except that approvals are required for foreign investors to invest in residential and other properties other than those zoned for industrial or commercial use. Only a limited number of sectors are restricted to foreign investment. The Government has a monopoly in the manufacture of arms and ammunition. The supply of public utility services, such as electricity, gas and water, and the telecommunications system fall within the public sector.

13 See Chapter IV for details of the tax and non-tax incentives for investment, and Chapter I for the effect on the rate of return on investment.
both contracting parties in each other's respective country are protected for a specified period against war and non-commercial risks of expropriation.14

83. The Government sees investing Singaporean money and management skills abroad as a key to maintaining rapid economic growth. Singapore is looking to invest both in industries that it does not have within its border and in countries which are relatively abundant in labour.

84. The Government already has a substantial portion of its official 1990 foreign reserves of US$27 billion invested in overseas equity portfolios, but Singapore companies have made few direct foreign investments, except in Malaysia.15 Foreign reserves are largely managed by the Government of Singapore Investment Corporation (GSIC), which is run by a board not reporting to the parliament. To encourage investments that allow access to overseas markets and technology as well as create high value added employment, a tax deduction is granted for any loss suffered by eligible Singapore companies that sell shares in approved overseas companies or when such companies are liquidated.

(ii) Investment patterns

85. Foreign investment is of central importance in the Singapore economy (see Chapter I). In 1989, nearly S$900 million was invested from abroad while foreign investment commitments in 1990 amounted to almost S$2.25 billion (nearly 90 per cent of total investment commitments in 1990). The bulk of investment was in chemicals, petroleum and petrochemicals (Table III.2). The main sources of foreign investment were the United States, Japan and the European Communities (Table III.3).

86. In 1990, foreign investment commitments from the United States reached a high of S$1.1 billion, accounting for more than 40 per cent of total commitments (Table III.4 and Chart III.3). Most of these were concentrated in the electronics (including upgrading operations in computer companies) and chemicals sectors (Table III.5 and Chart III.4). Japanese investment commitments increased by nearly 31 per cent from the previous

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14 Investment guarantee agreements were signed with the following countries: Belgium-Luxembourg, Canada, China, France, Germany, the Netherlands, Sri Lanka, Switzerland, Taiwan, the United Kingdom and the United States.

15 In April 1991, the Government announced plans to invest directly in Hong Kong and New Zealand. In addition, Singapore is already a joint-venture partner in industrial parks, communication networks and other infrastructure projects in its "Growth Triangle" neighbours, Malaysia and Indonesia.
year to S$708 million and were mostly in expansion projects in the electronic components segment. European commitments amounted to S$345 million and were mostly in the electronics and chemicals industries.

87. In 1990, Singapore's direct foreign investment abroad totalled S$617 million invested in 24 projects. Sixteen of these projects were in the United States and the others spread among ASEAN countries, Australia, Hong Kong, and India.

Chart III.3
Investment commitments in Singapore by country of origin, 1990
Per cent

Chart III.4
Net investment commitments by manufacturing industry in Singapore, 1990
Per cent

- Electronic products and components: 44.2%
- Petroleum: 15.3%
- Fabricated metal products: 4.2%
- Transport equipment: 4.6%
- Industrial chemicals: 10.7%
- Others: 13.9%

IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

88. Singapore has seldom intervened directly in foreign trade. The major responsibility for allocating resources and determining economic decisions is left to market forces. For example, almost all goods enter and leave Singapore free of tariffs. Tariffs are maintained on a limited number of items. Excise duties are levied on locally-manufactured goods at, generally, the same rate as import tariffs.

89. Import and export licensing and control provisions are mainly related to strategic, public health, environmental considerations or to the implementation of international commitments. Standards and standard-setting processes are in line with those practised internationally. Stringent sanitary and phytosanitary regulations are maintained with a view to safeguard the sanitary status of the country. No safeguard actions under Article XIX of the GATT have been taken and no measures have been implemented against dumped or subsidized imports. Government procurement guidelines do not provide for any domestic preference, with the exception of preferences established under the ASEAN agreement.

90. On the export side, an elaborate system of textile export quota allocation is maintained to give effect to bilateral MFA commitments. Other trade control measures are applied to fulfil international commitments or to ensure access to restricted technology.

91. Singapore's domestic and trade policies are not "targeted" towards specific sectors. However, a number of government agencies act as catalysts to industrial development in priority areas. In this context, major policy measures include tax incentives and research and development assistance. Other trade measures maintained by Singapore are largely confined to trade promotion, marketing assistance and development of productivity and skills. Government agencies or statutory boards are active in these areas. Assistance is largely aimed at supporting new projects leading to technological development or higher value-added activities. Singapore provides no direct subsidies to either manufacturers or traders.

(2) Measures Directly Affecting Imports

92. Under the Registration of Imports and Exports Act (Chapter 270), the Minister for Trade and Industry may establish rules to register all goods imported into Singapore. Currently, all companies or firms wishing to import any goods are required to apply for an Import Permit, essentially to
provide information for the compilation of trade statistics. Since January 1989, companies are allowed to apply for their permits electronically through a nation-wide Electronic Data Interchange system called TradeNet. This system has been introduced to facilitate the application of permits for imports, exports and transhipment of goods.

93. Trade declaration procedures for imports into Singapore, as well as for exports, are streamlined. For most goods, a single trade declaration is required for each consignment and this is usually cleared within 15 minutes. A S$10 fee is levied for the processing of trade documentation.

94. Importers and exporters are required to register with the Trade Development Board. The validity period of the Central Registration (CR) number is unlimited. No fee is involved for the application of the registration number. The general purpose of the traders' registration is for collection of statistics.

95. Goods which remain in the Free Trade Zone in the course of transportation to another country require neither licences nor customs clearance, and thus can leave the port within a day of discharge. Transit trade is defined as when both the consignor and consignee of the goods are outside Singapore. Re-export trade is defined as when imported goods are for sale to a foreign country, irrespective of whether or not there is repacking, splitting into bundles, sorting, grading or marking.

(i) Tariffs

96. Import duties in Singapore are established by the Ministry of Finance under powers conferred by section 10(1) of the Customs Act. The collection of import duties is under the responsibility of the Customs and Excise Department. The country, long a regional distribution and sales centre for Southeast Asia, functions basically as a free port. Import duties are

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1 The other reasons for the import documentation requirement are: for the import to be endorsed; to enable carrier's agents to deliver the goods; for identification and clearance of the goods by the customs authorities; and to enforce health, safety or other regulatory requirements.

2 TradeNet allows the interchange of trade declarations and other documents between the trading community and government departments. With TradeNet, declarations can be sent to Customs, the Singapore Trade Development Board and other government controlling agencies directly through a computer for processing. This system enables traders to submit a single trade declaration, thus reducing voluminous paperwork and saving substantial costs in time and manpower.

3 Special registration procedures under the Ministry of Health apply for the pharmaceuticals sector.
levied on very few items (approximately 9 per cent of all tariff lines). According to the authorities of Singapore, duties are levied on a small number of products for health, social and environmental purposes. Customs and excise duties account for between 7 and 8 per cent of Government tax revenue.\(^4\)

97. According to GATT Tariff Study data, import duties - most of which are levied at 5 per cent ad valorem - are maintained only on 509 out of a total of 5,799 tariff lines, classified according to the Harmonized System (HS).\(^5\) These cover liquors, tobacco, perfumes, petroleum products, clothing, sugar confectionary, certain furniture items and motor vehicles. All other products are imported free of duty.

98. Trade samples of no commercial value are admitted duty-free, provided they are not sold, consumed, or used for hire or reward in Singapore. Liquor and tobacco samples are not considered as trade samples. Advertising material relating to a limited number of items, including tobacco and liquor, is dutiable.

99. In late 1983, Singapore became a signatory to the ATA ("Admission Temporaire") Conventions for the temporary importation of goods. The ATA carnet, a standard international customs document, allows temporary import of commercial samples, exhibition and advertising material, and audiovisual, medical, scientific or other professional equipment.

(a) Form of tariffs

100. Duties levied by Singapore may be specific, ad valorem, or a combination of the two, and are payable in Singapore dollars at the time goods are cleared through customs (Chart IV.1). The Customs Duties Order 1989 contains the list of all items subject to specific duties, ad valorem duties, and composite or compound duties. Singapore does not maintain any seasonal tariffs.

\(^4\)The collection of customs and excise duties has nearly doubled, from around S$700 million in the early 1980s to S$1,300 million in 1990, reflecting the increase in trade in the last decade.


\(^6\)The list of all dutiable items is given in Table AIV.2. Customs and Excise Department, Singapore Trade Classification and Customs Duties, 1989.
101. The Singapore Tariff provides for duty-free entry for 91 per cent of all tariff lines, covering around 96 per cent of total imports (Table IV.1). Specific duties are expressed in units of weight or other measurement and are assessed on approximately 17 per cent of the dutiable goods including beverages and spirits, tobacco, sugar products, petroleum and chemicals (Tables IV.1 and AIV.2). Ad valorem rates, covering other dutiable items, are mainly at 5 per cent (Chart IV.2 and Table IV.2). For three tariff lines (motor spirits) both ad valorem and specific rates are given in the tariff schedule. The tariff rate actually applied is that which yields a larger revenue.

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7According to the Singapore authorities, no major changes in tariffs are being considered for the near future. There may be possible consequential changes arising from the Uruguay Round negotiations.

8The customs value includes the c.i.f. price of the goods plus 1 per cent of the c.i.f. value to cover handling and most other incidental expenses. For imports through an agent, duties are assessed on the c.i.f. value plus the agent's commission.
Textiles account for almost 80 per cent of the tariff lines bearing ad valorem rates. Other Tariff Study Categories where ad valorem duties are applied include transport equipment, furniture, foodstuffs, footwear and travel goods, and raw hides and skins, leather and furskins (Table IV.1).

(b) Average tariff level

Because of the high proportion of duty-free trade, Singapore's average m.f.n. tariff is very low (0.5 per cent and 0.3 per cent simple and weighted averages, respectively, in 1989). The simple average tariff was zero (duty-free) for 24 out of the 35 Tariff Study Categories. Apart from petroleum, with an m.f.n. simple tariff average of 12.5 per cent, the

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9 These averages have been calculated from tariff lines bearing only ad valorem tariffs as ad valorem equivalents for specific rates were not available. Therefore, averages may underestimate the incidence of the tariffs as specific duties are not considered in the calculations.
highest average of 4.6 per cent applied on transport equipment (Table IV.3).

104. In terms of tariff lines, the highest ad valorem duties were those levied on refined motor spirits and motor cars.\(^\text{10}\)

(c) Tariff escalation

105. Singapore's tariff régime shows very little tariff escalation (Chart IV.3). Generally, primary and semi-processed products enter Singapore duty free. The few ad valorem tariffs apply to finished products.

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Chart IV.3
Singapore's average tariff by stage of processing, 1989

Per cent

<table>
<thead>
<tr>
<th>Stage of Processing</th>
<th>Average MFN</th>
<th>Simple Average</th>
<th>Weighted Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Semi-processed</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Processed</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry (excl. petroleum)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: GATT Secretariat.

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\(^{10}\) Customs duty for imported motor spirits was either 50 per cent or a specific rate ranging from S$4.2 per 10 litres for regular spirit to S$5 per 10 litres for premium spirit. Motor cars are subject to 45 per cent ad valorem duty.
106. The degree of tariff escalation may be increased by specific duties, which were not included in the Secretariat's calculations of tariff averages by stage of processing. For example, the specific duty for manufactured tobacco (S$100 per kg) is twice that for unmanufactured tobacco (S$50 per kg).  

(d) Tariff bindings

107. Bound tariffs, either partial or full binding, account for only 29 tariff lines (0.5 per cent of the total) (Table IV.4). Tariff binding applies almost exclusively to processed and manufactured products (Table IV.5). Singapore's proposal to bind tariffs at a ceiling level of 20 per cent in the Uruguay Round of negotiations covers 2,882 tariff lines.  

108. Most currently bound rates are at zero. Product categories with zero bound rate include foodstuffs (sweet corn, malt extract, vegetable preparations and protein concentrates), chemicals (peptones and their derivatives and insecticides, fungicides, and herbicides) and electric machines and apparatus (electric conductors). In the case of non-electric machinery, bound rates for certain items such as air conditioning machines are at 40 per cent or S$250 per unit.  

(e) Tariff preferences

109. Singapore is a member of the Association of South-East Asian Nations (ASEAN) inaugurated in Bangkok on 8 August 1967. Under the ASEAN Preferential Trading Arrangement (PTA), concluded on 24 February 1977, Singapore accords tariff preferences on a number of imported items originating in the other five ASEAN countries. The PTA is implemented...
through the Trade Preferences Negotiating Group of the Committee on Trade and Tourism (COTT).  

110. Tariff preferences among ASEAN members are provided under several schemes. These include items covered by the PTA, imports by projects established under Industrial Projects, Industrial Complementation Schemes, Industrial Joint Ventures, Brand-to-Brand Complementation Schemes and commodities imported from ASEAN member countries under long-term contracts, i.e. three to five year contracts. Tariff preferences granted under the Industrial Joint Venture scheme are initially provided to countries participating in the project, with the possibility of extending them later to other member countries.

111. The margins of preferences granted by Singapore under the PTA range from 50 per cent to 100 per cent on existing duty rates. The goods benefiting from ASEAN preferential rates of duty, when originating in ASEAN countries, include mainly garments (e.g. sarong, batik, shirts, under and outer garments, handkerchiefs of cotton and brassieres). Other goods include those made of leather, composition leather or textiles such as handbags, wallets and briefcases. In total, 406 tariff lines are eligible for ASEAN PTA preferences (Table AIV.2).

112. Tariff preferences cover both ad valorem and specific duties. More than 80 per cent of the tariff preferences were granted for textile and textile articles, mainly articles of apparel and clothing accessories. Preferential specific duties apply to eggs and certain organic chemicals. In addition to the tariff preferences, 89 per cent of Singapore's overall tariff schedule is bound at zero duty under the PTA. The share of Singapore's imports under ASEAN tariff preferences is unknown.

113. Tariff preferences under PTA can be suspended if preferential imports threaten "serious injury" to sectors producing similar products in the importing country, for balance-of-payments considerations, for limiting exports in order to ensure sufficient domestic supply, or when it is felt that one member country was not fulfilling its obligations under the trade

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15 The concessions agreed are extended to all Contracting States on an ASEAN most-favoured nation basis, except where special treatment is accorded to products of ASEAN industrial projects. "In the negotiations on tariff preferences, considerations for balancing the preferences should take into account the possibility of using other instruments of PTA. These instruments include, among others, liberalization of non-tariff measures on a preferential basis, long-term quantity contracts, purchase finance support at preferential interest rates, and preference in government procurement" (Article 3 of the Agreement on ASEAN Preferential Trading Arrangements). ASEAN Secretariat, ASEAN Documents Series 1967-1988. Third edition, Jakarta 1988.
preferences programme. However, Singapore has never suspended any preferences under the PTA.

114. Singapore is a signatory to the Global System of Trade Preferences among Developing Countries (GSTP). Singapore signed the GSTP Agreement in April 1988. The agreement, which is an instrument for the promotion of trade among developing countries members of the Group of 77, entered into force as of 19 April 1989. Under GSTP, the concessions granted by Singapore consist of ceiling binding at 5 per cent import duties for three tariff items in CCCN number 82.03 (hand tools: wrenches, spanners, files and rasps).\(^\text{16}\)

(f) Tariff concessions

115. Under the Customs Duties (Exemption) Order 1990, which came into operation on 1 January 1991, a schedule of tariff exemptions has been established containing a list of 64 organizations or persons which may benefit from duty-free imports if specified conditions are fulfilled. For example, alcoholic beverages may be imported without duty by licensed breweries or distilleries if the exempted goods are to be used solely for testing purposes. High-speed diesel may also be imported free of duty if the fuel is for industrial users and if the diesel exempted is for consumption of the entitled user. Other exemptions include goods imported by the President, members of international organizations and diplomatic missions, and the Singapore Armed Forces. The Director-General of Customs and Excise may impose further conditions for the granting of tariff exemptions.

116. All dutiable materials, parts or components for incorporation in export items as well as equipment used or materials consumed in the manufacture or assembly of goods for export are granted duty exemption. No special import plans for any particular industry are considered for the granting of exemptions.

(g) Rules of origin

117. Singapore does not have any specific rules of origin applying to imports. There is no special form of certificate of origin required under Singapore's regulations and origin may be certified by a chamber of commerce or a recognized trade association. Consular legalization is not required.

\(^{16}\)These items are currently imported into Singapore duty free on a m.f.n. basis.
118. To qualify for tariff preferences, rules of origin must be satisfied. Importers who wish to claim payment of duty at preferential rates under the ASEAN Preferential Trading Arrangement are required to submit the ASEAN Certificate of Origin. The criterion for ASEAN origin is that products must be either wholly produced or obtained in an ASEAN exporting country or the total value of the materials, parts or produce originating from non-ASEAN country must not exceed 50 per cent of the f.o.b. value of the products.\(^{17}\) For products partially obtained, the final process of manufacture must have been performed within the territory of the exporting ASEAN State.\(^{18}\) For ASEAN Industrial Projects, the value-added criterion for determining origin does not apply during the initial years of operation. However, Singapore is not a party to any ASEAN Industrial Project.

119. Under the ASEAN Cumulative Rules of Origin, products can be considered as originating in the Contracting State where working or processing of the finished product takes place, provided the aggregate ASEAN content of the final product is not less than 60 per cent.

(h) Pre-shipment inspection

120. Singapore does not have any regulations covering pre-shipment inspection.

(i) Customs valuation

121. Customs valuation in Singapore is based on the Brussels Definition of Value (BDV).\(^{19}\) The basic valuation principle, enacted as Section 22 of the Customs Act, is that dutiable value is taken to be the normal price or import price of goods at the port or place of importation. This definition presupposes that the sale has taken place in the open market between buyer

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\(^{17}\) Under the Protocol on the extension of tariff preferences, signed in December 1987, the ASEAN content requirement in the rules of origin may be reduced from 50 to 35 per cent on a case-by-case basis for a period of 5 years.

\(^{18}\) In general, for similar articles of different sizes or spare parts which are imported, all the products in the consignment must qualify separately in their own right. The products must be directly consigned from the exporting Contracting State to the importing Contracting State.

\(^{19}\) Singapore has observer status in the GATT Committee on Customs Valuation. The authorities of Singapore noted that, in the past, there had been no pressing need to accede to the GATT Customs Valuation Code, as there have been no complaints against the current valuation practices. Singapore is prepared to consider accession to the GATT Customs Valuation code upon completion of the Uruguay Round negotiations. One of the factors that the Singapore Government will take into account in considering the membership issue is whether other ASEAN members intend to accede to the Code.
and seller independent of each other at the time when duty becomes payable. The value for duty is generally the c.i.f. value, i.e., f.o.b. cost, insurance and freight charges, handling charges (a flat rate of 1 per cent) and all other costs, charges and expenses incidental to the sale and delivery of the goods, such as commissions. The ad valorem rate of duty is applied to the "value" thus determined.

122. Importers are required to ensure that the values of goods for Customs purposes are correct. When goods have been undervalued, the Customs and Excise Department may impose uplift adjustments to the declared values. Adjustments, based on the Brussels Definition of Value, are reviewed every two to three years. Cases when the import price may be influenced by the importer include the situation of exclusive importer, sole proprietorship and distributing agency.

123. Appeals against customs decisions may be addressed to the Director General of Customs and Excise. Unless it is specifically provided that the decision is at the discretion of the Director General, aggrieved persons may appeal to the Ministry of Finance, whose decision shall be final. According to the Singapore authorities, appeals are rare, reflecting the low number of ad valorem duties, and are most generally the result of misunderstandings of the BDV definition of value.

124. A special valuation procedure applies to locally-produced and imported motor spirit. The value for duty of any grade of motor spirit with a trade name or trademark, whether imported or locally refined, shall be taken to be the price for that grade with that trade name or trademark prevailing in Singapore at retailers' pumps at the time when customs duty becomes payable.

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20 When submitting duty payment declarations to the Customs office for approval, importers must provide detailed computation of the duty payable.

21 A standard mechanism is applied to calculate the percentage to be used to increase declared values. The rate is obtained by dividing total sales by total imports.

22 Section 100 of the Customs Act (Chapter 70). However, according to the authorities of Singapore, "there are three avenues of appeal against Customs decisions. The most common avenue is to appeal to the Director General of Customs and Excise. Another avenue is to appeal to the Ministry of Finance, the supervisory Ministry of the Department of Customs and Excise. The last avenue is to seek redress from the Courts".

23 Section 23, Chapter 70 of the Customs Act. If there is any difference in the price of a grade of motor spirit with the same trade name or trademark, the highest price inclusive of customs duty for that grade with that trade name or trademark shall be taken to be the value. The Director-General of Customs and Excise decides on any question arising as to the price of motor spirit at the retailers' pumps.
125. Specific duties imposed on intoxicating liquors, tobacco (including cigarettes), and birds eggs are based on weight, volume or unit of quantity as the case may be. Where the rate is expressed either as a specific duty or ad valorem, as in the case of motor spirit, duty payable is the higher of the two.

(ii) Tariff quotas

126. Singapore does not impose tariff quotas on any products.

(iii) Variable import levies

127. Singapore does not impose variable import levies.

(iv) Other levies and charges

128. With few exceptions, Singapore does not apply any levies, taxes, fees or other charges (apart from tariffs) which may affect imports. There is no requirement for prior import deposits.

129. There is a levy of 0.5 per cent on the c.i.f. value of imports from Albania, the Socialist Republic of Vietnam, the People's Republic of Mongolia and the People's Democratic Republic of Laos.

130. Excise taxes are levied on a given number of locally-manufactured products such as alcoholic beverages, tobacco products and petroleum products. Excise taxes are applied only on domestic products, not on imports. Excise rates, when applied, are generally the same as import duties. For certain products, such as beer and cigarettes, excise rates are lower than import duties. However, in the case of cigarettes, domestic manufacturers have to pay an excise duty of S$50 per kg on the cigarettes, in addition to an import duty of S$50 per kg on imported unmanufactured tobacco.

131. Singapore maintains a very detailed system of internal taxes and fees on motor vehicles. These charges include a registration fee, an additional registration fee, a certificate of entitlement and a road tax. These charges are part of the Government's policy to discourage car ownership and usage due to the physical size limitations of Singapore. As the country
does not have a domestic production of motor vehicles, in practice, the fees affect only imports.24

132. No general sales tax or value-added tax is levied in Singapore.

(v) Minimum import prices

133. Singapore does not apply any minimum import prices or reference prices. It does not maintain any price support mechanisms.

(vi) Import prohibitions

134. The legislation governing import prohibition in Singapore is the Control of Imports and Exports Act (Chapter 56). The Act empowers the Minister for Trade and Industry to prohibit, absolutely or conditionally, the importation of any goods into Singapore.

135. Import prohibitions are applied to certain products for national or financial security reasons, for public safety reasons, or for compliance with international conventions such as the Convention on International Trade in Endangered Species of wild fauna and flora (CITES).25

136. In accordance with United Nations resolutions, Singapore applies an import prohibition to all goods originating or manufactured in the Republic of South Africa (since 1965) and Iraq (since 1990).

137. Products whose imports are prohibited are similarly banned under regional agreements. Singapore has never imposed seasonal or conditional import prohibitions as a permanent trade measure.

(vii) Import licensing

138. Since July 1984, Singapore is a party to the GATT Agreement on Import Licensing Procedures. Its stated policy is to keep import licensing to a minimum. Singapore does not apply quantitative restrictions as part of its licensing process.26

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24See the section on transport equipment in Chapter V and Annex V.1.

25See Table AIV.3.

26Generally, the purpose of licences is not to restrict the quantity or value of imports. Quotas were applied on air-conditioners not exceeding 9,000 kcal/h until April 1988. These have now been abolished.
139. According to the authorities of Singapore, the import licensing system is used for a limited number of products as part of Singapore's obligations under international agreements or for health, safety or security reasons. The average processing time for import licence applications is less than two days. In general, the validity of import licences, which are not transferable, is one month. The licensing fee is S$20 per licence. There is no penalty for the non-utilization of a licence. Licensing is under the authority of the Controller of Imports and Exports of the Ministry of Trade and Industry. Appeals may be addressed to the Ministry of Trade and Industry. So far, no cases of such appeals have been registered by the authorities of Singapore.

140. To meet emergency requirements, Singapore maintains a stockpile scheme for rice, a staple food of which there is no domestic production. A special import licensing system is applied to rice imported from all countries. There are two categories of import licences, the stockpile licence and the ordinary licence. Licences for "stockpile" (food) grades of rice are issued only to importers who participate in the Rice Stockpile Scheme. The licence seeks to ensure that the importers stockpile the stipulated types and minimum quantities of rice in proportion to their total imports. Licences for non-stockpile grades of rice are issued automatically.

141. Import licences are also required for goods originating or manufactured in or consigned from Albania, the Socialist Republic of Vietnam, the People's Republic of Mongolia and the People's Democratic Republic of Laos for the purposes of monitoring trade with these countries. Approval of licence applications for imports from these countries is automatic. Licence applications are subject to a surcharge of 0.5 per cent on the c.i.f. value.

142. As stated above, import licensing is also maintained by Singapore as part of its obligations under international agreements or for health, safety or security reasons. Among the products which require an import licence when entering into Singapore are films, publications, radiation and telecommunication equipment, live animals, food and ornamental fish, arms and explosives, and medicines and drugs. Import licensing of these products is administered by the various Ministries under their respective legislation.

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27 An import licence was also required for imports originating in the previous German Democratic Republic.

28 Annex I to the TPRM Report submitted by the Government of Singapore contains a (Footnote Continued)
143. Special certificates are required for the importation of certain products. Because of health and sanitary reasons, imports of birds, animals, plants and plant products, and veterinary products require prior approval from the Primary Production Department, as well as inspection certificates from the appropriate government agency of the exporting country. Wildlife and wildlife products covered by CITES need to have their importation approved by the Primary Production Department (Table AIV.4). 

(viii) Import quotas

144. Currently, Singapore does not apply quantitative restrictions on imports. Under its import licensing procedures, import quota restrictions were applied to air conditioners not exceeding 9,000 Kcal/h (excluding those for motor vehicles). This import quota was lifted in April 1988.

(ix) Import surveillance

145. Singapore does not maintain any import surveillance or monitoring procedures on any products.

(x) State trading

146. Singapore does not have any state-trading enterprises.

(xi) Import cartels

147. There is no monopoly or antitrust legislation in Singapore. The registration of companies or persons wishing to carry on business is regulated by two acts: the Business Registration Act and the Companies Act.

(xii) Countertrade

148. Singapore’s free trade policies demonstrate a clear preference for the cash-based multilateral trading system, upon which Singapore’s current

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(Footnote Continued)

summary table of the import licensing legislation in Singapore, the control objectives and the licensing procedures.

29 The Endangered Species (Import and Export) Act of 1989 establishes a schedule of products covered by the Convention.
wealth and position has been built and upon which it depends for future growth. However, forms of countertrading have existed for many years in parallel with this system, particularly for trade in commodities supplied by regional and neighbouring markets.

149. In the early 1980s, because of a growing interest in countertrade by many of Singapore's trading partners and Singapore's own rôle in the region, it became apparent that countertrade, as an alternative and supplementary measure to free trade had the potential of bringing a new dimension to Singapore's economy and to its traditional rôle as a financial and trading centre. Accordingly, the Government recommended that Singapore should develop into a countertrade services centre and introduced a tax incentive scheme to attract countertrade houses to set themselves up in Singapore. However, the Singapore Government does not engage in countertrade activities and does not maintain information on the extent of countertrade carried out by the private sector. Nor is Singapore's own merchandise trade conducted on a countertrade basis. However, it is estimated that in 1987, this kind of trade through Singapore was around S$500 million, an amount which was expected to exceed S$2 billion by 1990.

150. In 1986, eight companies were awarded pioneer status by the Government to conduct countertrading transactions within Singapore. These companies now belong to a fifteen member working group, formed by the Trade Development Board in 1987 to promote and make the market more aware of their countertrade services. Target markets for officially sponsored trade missions, in which countertrade houses participate, include China, India, and some countries in Eastern Europe, Africa and Latin America. In addition to the eight major countertrade companies offered pioneer status, it is estimated that another thirty to forty smaller companies participate in countertrade activities in Singapore.

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30 Singapore does not have any bilateral or multilateral agreements with special systems of payment for its foreign trade.


32 The pioneer status incentive for companies setting in Singapore is explained later in the section concerning investment incentives. Generally, these companies enjoy full exemption from income tax on profits arising from countertrade activities for a period of five to ten years. To qualify for pioneer status for countertrade, a separate company must be formed to engage only in countertrade activities, the company should have established international trading links and at least one leg of each countertrade transaction, whether financial or physical movement of goods, must be routed through Singapore. The scheme is administered by the Trade Development Board. (Singapore International Chamber of Commerce, Investor's Guide to the Economic Climate of Singapore, 1991 Edition.)
151. Singapore's standards and standard-setting processes are in line with those practised internationally. The establishment of standards is based on the principle of consensus. The process of establishing Singapore Standards is open to participation from all interest groups through regular consultations and the outcome is submitted for public comments before adoption (Chart IV.4).

152. Singapore's standards are voluntary in application, except for those which have been made mandatory by reference in government regulations. Technical regulations, which are maintained for safety, health and environmental protection purposes, and standards do not discriminate against and/or between imported products.

153. Singapore's voluntary national standardization system is coordinated by the Singapore Institute of Standards and Industrial Research (SISIR), a statutory board established in 1973. Its main functions are to promote the safety, quality and efficiency of products and processes in industry for local and international markets through standardization, certification and quality management; and to promote and undertake industrial research and development for the creation of new industries, the development of existing industries and the improvement of technical skills.33

154. SISIR publishes a Standards Catalogue of all established Singapore Standards and a Directory of Certified Products, Companies and Accredited Laboratories in Singapore. It also publishes a regular newsletter to disseminate information on the latest ISO/IEC developments and other standards related activities. It acts as the secretariat for the Singapore Standards Council which is responsible for the establishment of Singapore standards.

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33SISIR seeks to promote and upgrade levels of quality and technology in the main manufacturing sector in order to make Singapore products more competitive in international markets (Appendix IV.2). The Industrial Technology Division of SISIR promotes technology upgrading for industry through integrated technical support, complemented by the transfer of relevant technology. The Standards and Quality Assurance Division provides overall technical infrastructure support to industry and gives technical assistance on quality upgrading, particularly to local small- and medium-sized enterprises.
Chart IV.4
Steps in the formulation of a Singapore Standard

SISIR
- Conducts literature research on standards
- Asks government departments, professional and trade bodies and industry to indicate their priority
- Advises on other ad hoc requests for standards

STANDARDS COUNCIL
Establishes priority areas

PSC/PC/SC
Approves the final list of standards to be drawn

TC
Prepares standards

PSC/PC/SC
Approves standards

PUBLIC COMMENTS

STANDARDS COUNCIL
Approves standards

SISIR BOARD
Endorses standards

Source: Singapore Institute of Standards and Industrial Research (SISIR).
(a) Standards, testing and certification

155. Singapore's national standardization policies are aimed at promoting safety and quality of products and services for local and international markets. Singapore has been a member of the International Organization for Standardization (ISO) since 1966 and the International Electrotechnical Commission (IEC) since February 1990. It maintains a general policy of adopting international standards as national standards, referred to as Singapore Standards. As of December 1990, some 77 ISO/IEC standards have been adopted as Singapore standards. Twenty-one overseas standards were amended before they became Singapore standards. Examples are the ISO 9000 series of standards on quality management and IEC standards on safety. The total number of Singapore standards by the end of 1990 was 605, mainly in electrotechnology, chemical industries, building and construction, mechanical engineering and food. According to the authorities of Singapore, the future direction is towards more adoption of international standards. Adoption shall be in full unless there are changes necessitated by local factors.

156. Acceptance of testing results and certificates of conformity issued by overseas bodies is totally within the jurisdiction of the recipients or buyers of the products or services. SISIR may, however, provide technical advice on the acceptability, generally based on whether the overseas bodies had been subjected to national accreditation, or whether there is any form of mutual recognition with SISIR. SISIR also participates in two schemes of IEC which give direct and reciprocal recognition to the test reports on safety of selected electrical products and electronic components.

157. The quarantine restrictions on animals, plants and foodstuffs are aimed at ensuring that Singapore is protected against the introduction of "exotic" diseases. In addition, standards are laid down for safety of imported foodstuffs. They are administered by the Primary Production Department. Codex Alimentarius plays an important rôle in the review and standards set.

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34 Singapore is also a signatory to the Agreement on Technical Barriers to Trade (the GATT Standards Code).


36 The applicability of certain international standards in tropical areas is not always seen to be well adapted. Singapore believes that most international standards are not designed for tropical countries with very special climatic conditions. For example, Singapore's high humidity conditions require more stringent standards on paints than the international norms.
158. Testing and certification practices include, for example, that processed foods and pharmaceuticals must be inspected and approved by the Ministry of Health. Electrical goods must be checked by the Public Utilities Board engineers before they can be installed in government establishments, while paints and solvents are the responsibility of the Chief Inspector of Factories in the Ministry of Labour.

159. SISIR Certification Mark Scheme is the nationally-recognized system for product certification. The Mark indicates consistency in quality, reliability in performance and, in some cases, acceptable safety levels. The award of licences for the use of SISIR Mark is based upon the product meeting a Singapore standard, an international standard, an acceptable overseas national standard and the quality management system being certified as meeting the relevant requirements of Singapore Standard 308. \(^3^\) In addition, SISIR carries out periodic inspection and product testing to ensure continued conformance of certified companies to these requirements. The Certification Mark Scheme applies to basic commodities and industrial products.

160. The Good Manufacturing Practice Scheme (GMP) gives recognition to certified factory procedures which are assessed according to Singapore Standard 308 on Quality System. The GMP scheme is entirely voluntary.

161. The Singapore Laboratory Accreditation Scheme is a national scheme to evaluate and accredit laboratories with demonstrated capability and competence in specified fields of testing. The scheme, started in 1986, offers accreditation to laboratories providing testing services in chemical and biological testing, mechanical testing, calibration and measurements, non-destructive testing and electrical testing. \(^3^\) Participation in the scheme is entirely voluntary. The certificate of accreditation is valid for three years and is renewable on expiry. \(^3^\)

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\(^3^\) The SS 308 is an endorsement of the ISO 9000 series, a widely recognized international standard on quality systems recently adopted by SISIR. In so doing, Singapore has joined countries like Australia, New Zealand, the European Communities and the United States which have already based their national standards for quality systems on this norm.

\(^3^\) The Laboratory Accreditation Scheme works on a "peer assessment" system, where applicant laboratories are assessed by fellow peers from other laboratories.

\(^3^\) The Certification Mark Scheme, the Good Manufacturing Practice Scheme and the Laboratory Accreditation Scheme are explained in: Singapore Institute of Standards and Industrial Research (SISIR), Directory of Certified Products and Companies and Accredited Laboratories in Singapore, 1990. Information can also be obtained from SISIR, Annual Report, 1989–90.
Industrial standards and health and safety requirements

162. Industrial standards applied in the engineering and construction fields are basically international standards. SISIR has developed standards for certain electrical, sanitary and building products.

163. Most industrial and commercial enterprises are also covered by anti-pollution legislation. In March 1972, Singapore instituted regulatory measures for motor vehicles covering air pollution standards. Regulations are in effect requiring seat belts for cars and station wagons. All motorcycles with a cylinder capacity of more than 200 cc must be fitted with crash steel bars.

164. The Government of Singapore recently announced a new Consumer Safety Scheme. The scheme at present covers 17 products, including cooking ranges, electric irons, hairdryers, microwave ovens, electric fans, washing machines, television sets and video cassette recorders. Under the scheme, products on the list are required to meet certain international safety standards before they can be sold to the public. SISIR is in charge of testing them. To obtain SISIR's approval, manufacturers and importers must submit, for testing, each model of the controlled products they intend to sell in Singapore. They can also have their goods tested at any competent laboratory.

165. Imported and domestically-produced food products for sale in Singapore are to be registered with the Food Control Department of the Ministry of the Environment upon arrival in Singapore. Importers are required to ensure that the food imported comply with the requirements stipulated in the Food Regulations Act 1988, including the labelling requirements.

166. Imports of certain chemicals, insecticides, and poisons must be approved by the Ministry of Health, which also inspects pharmaceutical imports. A licence from the Pollution Control Department of the Ministry

\[\text{Major laws include the "Clean Air Antipollution Regulation" of 1971, "Clean Air Regulations" of 1972, "Water Pollution and Drainage Act" of 1975, and the "Trade Effluent Regulations" of 1976.}\]

\[\text{The Consumer Safety Scheme is to be phased in gradually over a period of 24 months to give manufacturers and importers time to get their products tested and approved. See SISIR News, June 1991.}\]

\[\text{Registration of food products can be done either through the TradeNet Service provided by the Trade Development Board or by submitting the Inward Declaration to the Food Control Department.}\]
of the Environment is required for the importation of hazardous chemical substances. The objective of the licensing procedure is to protect the environment and the public health. To achieve the same objectives, Singapore also applies an import control and prohibition on asbestos and asbestos products, under the Poison Act entered into force in October 1989.

167. The admittance of drugs for sale in Singapore is governed by the Medicines Act (Chapter 176) whereby drugs need to be approved and registered with the Ministry of Health. Importation or sale of medicines containing amidopyrine or noramidopyrine is prohibited. Drugs sold in Singapore must not contain (by weight) more than five parts per million (ppm) of arsenic, 150 ppm of copper, 20 ppm of lead, or 0.5 ppm of mercury. There is no specific registration and certification requirement for cosmetics except that under the Sale of Drugs Act, cosmetics must be free from lead or its compounds.

168. Under the "Misuse of Drugs" Act of 1973, provision has been made for the imposition of heavy penalties for the illegal manufacture, importation, exportation or possession of syringes, pipes or other articles used for taking controlled drugs.

169. Since February 1991, Singapore applies a ban on the import and manufacture of non-pharmaceutical aerosol products containing controlled chlorofluorocarbons (CFCs) and polystyrene sheets and products made with controlled CFCs. This measure was taken to prevent depletion of the stratospheric ozone layer.

170. Importation of brandy and whiskey requires the submission of the certificate of age, and importation of natural mineral water requires the submission of documents by the authority from the country of origin, to prove the authenticity of the products.

43 The list of hazardous substances is detailed in the Poisons Act and the Poisons (Hazardous Substances) Rules.

44 Singapore is a party to two international treaties on ozone pollution, the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer. Both treaties seek to reduce and eventually phase out global production, emission and consumption of ozone depleting potentials: CFCs and Halons. Under the Protocol, the consumption of CFCs will be reduced to 1986 levels and further to 80 per cent and 50 per cent of 1986 levels by 1993 and 1998, respectively. A quota system applies to CFCs. The allocation of 50 per cent of the quota is based on past consumption and the rest is based on a tender system. The quota is distributed among consumer companies, not importers.
Sanitary and phytosanitary regulations

171. Sanitary regulations on live animals and animals products are established by the Animals and Birds Act. This legislation sets rules on the importation, transhipment and exportation of animals with the aim of preventing the introduction into, and the spreading within, Singapore of diseases of animals and birds. Under this Act, the Minister of National Development may prohibit, either absolutely or conditionally, the import and transhipment from specified countries or the parts of a country, of any products of animals and birds that are likely to convey or spread any diseases.

172. Every animal imported or transhipped may be required to undergo an examination by a veterinary authority either at the place of arrival or at such other place as the veterinary authority may determine. If the animal is found to be infected with any disease, the authority may, in his discretion, refuse the import permit, order the destruction of the animal, and require all animals which have come into contact with the infected one, to be detained in quarantine for such a period as he may consider necessary. Importers have the possibility of appealing against such decisions.

173. Singapore applies stringent sanitary regulations, which may allow the veterinary authority, under the approval of the Minister, to order the destruction of buildings occupied by infected animals and which cannot be effectively disinfected.

174. Sanitary regulations governing the importation of animals and products thereof are implemented through the Animals and Birds (Importation) Order of 1966. This Order establishes a schedule of sanitary requirements (import permit, sanitary certificate, certificate of health, export permit from the exporting country, etc.) according to the imported animal, the country of origin, or a region of it and the purposes.

175. Imports of animals, birds, meat and meat products, living plants or parts thereof, fodder of animal origin, coloured skimmed milk, animal fertilizers, veterinary medicaments and veterinary biologics require prior

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45 The term "animals" includes horses, asses, mules, cattle, sheep, goats, swine, dogs, cats, and any four-footed beast kept in captivity or under control. The term "birds" includes domestic fowls, ducks, geese, turkeys, guinea fowls and pigeons.

46 For example, sanitary requirements on cattle imports vary according to the purpose of the importation (slaughter or breeding), the country of origin (either Malaysia; Denmark, New Zealand, the United Kingdom and the United States; or Australia), and even according to different regions in the country of origin (in Indonesia, the islands of Bali, Lombok and Soembawa).
authorization from the Primary Production Department for sanitary and phytosanitary controls. All meat and meat products for human consumption are also controlled to ensure that the products imported into Singapore meet the standards and are fit for consumption.

176. For the import of edible and inedible fat of animal origin or products containing such fat, special permits must be obtained from the Director of the Primary Production Department before the goods are imported. These products must be accompanied by certificates signed by the government veterinary authority in the country of origin certifying that various rules of processing, production and preservation have been complied with. The Director may require the testing of all imported products and authorize disposal of rejected goods without compensation to the importer or owner.

177. Quarantine regulations on imports of agricultural commodities are determined and administered by the Director of the Primary Production Department. Quarantine regulations are contained in the Animals and Birds (Quarantine) Rules operated since October 1988. Under these regulations, all animals imported from any country, other than Malaysia, for the purpose of slaughter shall, immediately on arrival, enter a quarantine station for a period of not less than 10 days and shall thereafter proceed directly to an abattoir.

178. Any animal or bird transhipped at Singapore shall be inspected by a veterinary authority. A transhipment licence is also required to certify health conditions of the animals. Certain fees must be paid for a licence, permit, certificate or quarantine.

179. Phytosanitary regulations on the imports of plants are established in the Agricultural Pests Act (Chapter 5). Under this Act, the Minister of National Development may make rules for preventing the introduction of

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47 Import permits are required for living plants and parts thereof (Agricultural Pests Act).

48 Imported dogs and cats must also be placed at a quarantine station and shall be vaccinated, ear-tattooed and detained in quarantine for not less than 30 days immediately after vaccination. This measure does not apply to imports from Australia, Ireland, New Zealand or the United Kingdom.

49 For example, a licence to import, export or tranship wild animals costs $35 per consignment, a certificate of freedom from disease within Singapore costs $10 per certificate, and a permit to import canned meat costs $35 per consignment. Quarantine fees per day vary from $0.30 per head for sheep and goats to $11 per unit of imported horses. The fees are reviewed annually.
pests into Singapore. Such rules may provide, amongst other things, for the prohibition of imports of plants which are likely to introduce any pest, or for the treatment or destruction of any plant which has been landed and of the packages, cases, pots or coverings in which the plant was packed.

180. Phytosanitary regulations are implemented through the Agricultural Pests (Plant Importation) Rules of 1989. Under these rules, the Director of the Primary Production Department may determine the method and place for quarantine, treatment or destruction of any carrier or consignment of pest-infected plants. Some 150 prohibited pests are listed in a first schedule annexed to the regulation. All plants must be free of these pests to be imported into Singapore. Prohibited imports and imports permitted under special conditions, are given in a second and third schedules. For example, the importation of palm oil plants from Colombia, Ecuador, Guyana, Peru, Suriname, and Trinidad and Tobago, is absolutely prohibited (Table IV.6).

181. The importation of potted plants, plant propagation materials, plants intended for planting, seeds, mushroom spawn and ornamental foliage and branches is prohibited unless the consignment is accompanied by a phytosanitary certificate. The certificate must be issued, not more than 14 days prior the date of despatch, by a competent government agency recognized by the Director of the PPD. All plants, including fruit and vegetables require a phytosanitary certificate when originating in the American tropics. This measure was taken in discharge of Singapore's commitments, under the Association of Natural Rubber Producing Countries, regarding South American leaf blight.

182. The inspection, treatment and certification of plants, crops and plant products are subject to annually reviewed fees.  

(b) Marking, labelling and packaging

183. Marking, labelling and packaging regulations applying in Singapore are set out in a number of specific laws. These include the Consumer Protection (Trade Descriptions and Safety Requirements) Act, the Weights and Measures Act and the Singapore Drug Registration Rules.

50 For example, the issuance of import or export permits costs S$6 per consignment, the endorsement of fumigation and phytosanitary certificates costs S$13 per set, and the fee for inspection and certification of plants is S$9 per 10 kg subject to a maximum charge of S$50 per consignment.
184. The Trade Division of the Ministry of Trade and Industry administers the Consumer Protection Act. This Act establishes general requirements for marking and advertisement of consumer goods and empowers the Minister for Trade and Industry to establish labelling requirements and minimum safety standards. Under this Act, specific labelling requirements have been established only for tobacco and tobacco products containers. These requirements do not apply to tobacco exported from Singapore.

185. Labelling requirements for imported tobacco include the labelling of tar and nicotine content on cigarette containers, health warning labels on tobacco products and details of health warning labelling. Tobacco and tobacco products manufactured by Singapore companies are similarly subject to the above labelling requirements if they are intended for local consumption. According to the Singapore authorities, these labelling and packaging requirements are not intended to restrict trade in tobacco products, but to reinforce other measures aimed at increasing public awareness of the dangers of smoking, as part of Singapore's anti-smoking drive.

186. The Weights and Measures Office of the Ministry of Trade and Industry is responsible for administering packaging regulations under the Weights and Measures (prescribed Quantities of Prepacked Goods for Sales by Retail) Order 1986. Under this regulation the following essential commodities must be packed in the prescribed sizes and net quantities: butter; margarine; edible oil; rice; white sugar; wheat flour; milk powder; cooking salt; and powdered detergent. This Office also conducts regular and random inspections at the premises of local agents and distributors to check that goods are packed in quantities corresponding to the declared amounts.

187. Marking, labelling and packaging requirements for pharmaceutical products are set out in the Singapore Drug Registration Rules administered by the Pharmaceuticals Department of the Ministry of Health. However, drugs exported from Singapore are not subject to these requirements, which are imposed at the point of sale. The labelling and packaging requirements

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51 Certain labelling requirements are also imposed on food imports. These requirements include the appropriate designation of the food content, the quantity, the name and address of the manufacturer or seller and the country of origin. Foods having defined standards must be labelled to conform to these standards and be free from added foreign substances. Prepacked food must carry labels which may be either glued on or securely attached.

52 For other products, there are no special marking regulations, but according to sound shipping practice, packages should show the consignee's mark, including port mark. Shipping cartons of frozen or chilled meat and poultry products exported to Singapore must show the slaughter date. Shipments containing products from animals or birds slaughtered on different days must show the first and the last dates of slaughter.
are stipulated on each product when the agent submits the drug for registration. Details approved for each registered product’s labels and packaging materials cannot be altered without a prior approval from the Ministry of Health.

(xiv) **Government procurement**

188. The Central Supplies Department is the central government purchasing agency in Singapore. It calls bulk tenders for certain products such as office equipment. For all other purchases the specific Ministry, Departments or end-user agencies make their own arrangements. However, they have to adhere to central guidelines issued by the Ministry of Finance.

189. Public sector procurement procedures in Singapore are based on a tendering system. Tenders are invited by using the open, selective or single tendering procedures.

190. Open procedures are used for all tenders exceeding S$15,000 for goods and services, and S$30,000 for works. An open tender requires that the tender be given the widest possible circulation to attract the largest number of tenderers. This is done by advertising the tenders in the local and international trade press. Selective tendering is normally conducted for tenders under S$15,000 for goods and services and S$30,000 for works. It is also used in exceptional cases where the project is confidential or sensitive. In such instances, invitations to tender are sent to selected firms. Single tendering is used in cases involving purchase of specialized systems and equipment from sole suppliers. It is also used in cases of emergency or when it is "manifestly in the public interest". The circumstances and reasons for granting such waivers are endorsed by the Permanent Secretary and submitted for approval to the Tenders Board.

191. It was not possible to obtain the exact breakdown of the frequency of the use of open competition, selective and single tendering systems in government procurement. According to the Singapore authorities, on the average, open competition accounts for about 70 per cent of the total number of tenders called.  

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53 For purchases exceeding S$5 million, the waiver is submitted for approval to the Tenders Board chaired by the Minister of Finance.

54 Open competition accounts for around 85 per cent of the total number of tenders called or 90 per cent of the value of tenders, when excluding defence procurement contracts.
192. All local and foreign suppliers interested in participating in Singapore’s public sector tenders are required to register as government contractors under the appropriate Supply and Financial categories with the Central Supplies Department, Construction Industry Development Board or the Pharmaceutical Department. Tenders are awarded to the lowest bid meeting tender specifications in full. Successful tenders are notified upon approval by the Tenders Boards. Appeals procedures are available, but these had never been used.

193. Within the framework of the ASEAN Preferential Trading Arrangements, ASEAN countries accord each other a preferential margin of 2.5 per cent, which should not exceed US$40,000 worth of preferences per tender, in respect of international tenders for Government procurement of goods and auxiliary services from untied loans. Singapore does not give specific preferences to domestic suppliers in government procurement.

194. Singapore’s offer of two entities - the Central Supplies Department and the Public Works Department - on accession to the GATT Government Procurement Code was conditional upon the right of the Singapore Government to grant tenders from the ASEAN countries the preferential margin mentioned above.

195. In 1989, total purchases by the two Singapore entities covered by the GATT Government Procurement Code were estimated at around SDR45.3 million. (No information on the total value or pattern of Singapore’s government procurement could be made available.) Seventy-six per cent of total purchases were covered by the Code, i.e. were above the threshold of SDR130,000. Between 1985 and 1987, the share of contracts above the threshold was around 60 per cent (Table IV.7).

196. In 1989, 40 contracts were awarded above the threshold value. Almost 40 per cent of the value of purchases were foodstuffs and beverages.

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55 Non-registered enterprises have to place a tender deposit which is refunded if the bid is unsuccessful. In the case of a successful bid, the deposit is retained until the execution of the contract.

56 The preferential margin should be applied on the basis of the lowest evaluated and acceptable tender (Article 7 of the Agreement on ASEAN Preferential Trading Arrangements. ASEAN Documents Series 1967-1988, third edition).

57 Singapore has accepted the Government Procurement Code of the GATT. (More information is provided in Chapter II).

58 For the two-year period 1 April 1990 - 31 March 1992, the threshold of SDR130,000 expressed in Singapore dollars is S$338,000.
Singapore maintains that the purchase of domestically produced goods is not fostered. However, 68 per cent of total procurement covered by the Code originated in Singapore. Singapore was the only source of purchase for a number of categories such as foodstuffs and beverages, mineral products, textiles and clothing, articles of stone, plaster, cement, asbestos, mica and similar materials, and furniture. Other principal sources include the United States (11 per cent), Malaysia (8 per cent) and Japan (3 per cent). Table IV.8 gives a detailed picture of government purchases by country of origin.

(xv) Local-content requirements

197. Singapore does not maintain any local-content schemes and there are no policies to encourage the use of domestic inputs, even in the context of public procurement. Nor is there any requirement for local-content in re-export trade.

(xvi) Anti-dumping and countervailing actions

198. Singapore has an anti-dumping law dating from the early 1960s (the Customs (Dumping and Subsidies) Act). This law provides for the imposition of anti-dumping duties, in addition to normal import duties, on dumped goods, if their import is likely to cause or threaten material injury to an established industry or retard materially the establishment of an industry. However, these provisions have never been used by Singapore. No other measures have been used to counter dumping. According to the Singapore authorities, there have not been any requests for initiating anti-dumping actions. Consideration of changes to these regulations has been suspended pending the outcome of the Uruguay Round. 59

199. Singapore does not have any countervailing duty laws.

(xvii) Safeguard actions

200. Singapore does not have domestic procedures or laws to provide for safeguard actions. It has never invoked Article XIX of the General Agreement.

201. A safeguard provision in the ASEAN Preferential Tariff Arrangement allows a Contracting State, suffering serious injury caused by preferential

59 Singapore has accepted the GATT Anti-Dumping Code and is an observer to the Subsidies Code (See Chapter II).
imports, to suspend provisionally and without discrimination, the tariff preferences accorded. However, Singapore has never taken any safeguard action under this arrangement.

202. According to the Singapore authorities, there have been no petitions from domestic companies for import relief under GATT or ASEAN procedures. The Singapore Government is firmly committed to a free trade policy and thus does not intend to protect any domestic industry against competitive imports.

(xviii) Measures implemented in exporting countries

203. There are no governmental or industry-to-industry voluntary arrangements, surveillance, or similar measures including unilateral restraints, that may affect quantities or prices of exports to Singapore. The Singapore Government emphasizes that such arrangements are avoided by its general free trade policy approach.

(xix) Balance-of-payments measures

204. Singapore has never had recourse to the provisions of Article XVIII:B of the General Agreement because of balance-of-payments difficulties. The balance-of-payments situation is not of concern to Singapore because of its comfortable foreign exchange reserves position.

(xx) Free-trade zones, export processing zones

205. Singapore operates six free-trade zones where traders may store dutiable goods and repack or re-export merchandise with minimum customs formalities. The Port of Singapore Authority (PSA) administers free-trade zones, mostly used for transhipment purposes (Table IV.9). The Department of Civil Aviation administers the free-trade zone at Changi Airport for airborne cargo.

206. Much of Singapore's transit trade takes place in the free-trade zones administered by the PSA. Within its controls, goods may be loaded, unloaded, stored, sorted, repacked, and transhipped with minimum customs involvement. Goods do not need to pass through Singapore customs unless they are removed from this area. There are, however, some restrictions on the activities which may be carried out in PSA public warehouses. Assembly may be permitted upon written request, but any manufacturing of goods can only be undertaken in especially designated premises. When goods are manufactured for subsequent entry into the customs territory, written notice must be given to the customs authorities and their prior approval
sought, when either the manufactured goods or the materials used in their manufacture are dutiable.

207. Customs permits are required for dutiable goods only when they are removed from the free-trade zones into the customs territory for storage or local consumption, or when they are removed for export (from licensed warehouses) or for transhipment or re-export from the free-trade zones.  

208. Principal incentives of the free-trade zones include: 72-hour free storage for import/export of conventional cargo and import of containerized cargo; seven-day free storage for export of containerized cargo; 28-day free storage for transhipment/re-export cargo; freedom from customs duty and customs control documentation while goods remain in the zones; extended storage of goods until market conditions are favourable for re-export or local use; allowance for goods to be exhibited or sampled; and permission for sales within the zones.  

(xxi) Other measures

209. Singapore has unilaterally introduced import and re-export control measures for goods subject to export control in the country from which they were exported. This procedure is aimed at preventing their diversion to non-approved areas. Goods covered by this control are sensitive high-technology goods. The main feature of the regulations is the tightening of control over the final destination of listed sensitive goods, such as the list compiled by the Coordination Committee of Multinational Export Controls (COCOM). The administering body in Singapore is the Import and Export Office of the Trade Development Board.

210. Under these regulations, the importer of a sensitive item must have an Import and Delivery Verification Certificate (IDVC) of high-technology goods if the foreign exporter requires one under the exporting country's own regulations. The importer must make certain that the product is

60 Any dutiable goods on which duties have not been paid may be re-exported without payment of duty only if they are covered by customs permits. The goods are subject to physical checks if they move into the customs territory in the course of being re-exported.

61 Storage of dutiable goods is allowed in the free-trade zones. However, certain prescribed high-duty goods like intoxicating liquors and tobacco, including cigarettes, are not allowed to be stored in the free-trade zones and must be removed for storage in private licensed warehouses in the customs territory.

brought into Singapore and not diverted to any other place, and that it is not re-exported without permission of the Singapore Government. The importer must also reveal the end-user in Singapore. The Customs and Excise Department must inspect the imported item and endorse the import permit with the IDVC number. Within seven days, the permit and the IDVC must be presented to the TDB for verification.

(3) Measures Directly Affecting Exports

211. Under the Registration of Imports and Exports Act, an export permit is required to export any goods from Singapore. For most goods, a single trade declaration is required for each consignment. The declaration is essentially for the purpose of collection and compilation of trade statistics. Trade declaration procedures for exports are streamlined. The electronic data network (TradeNet) has considerably simplified the required formalities.

212. Exporters are required to apply for a Central Registration (CR) number with the Trade Development Board. The validity of the registration is unlimited. No fee is involved for the application of the Central Registration number.

213. The Government of Singapore is not involved in pre-shipment inspection required by other trading partners such as Indonesia and the Philippines. The "Société Générale de Surveillance" (SGS) operates on behalf of those countries in Singapore for valuation purposes. There are no restrictions on any other company wishing to carry out these activities.

(i) Export taxes, charges and levies

214. Singapore does not impose duties, taxes or charges on exported goods.

215. An administrative fee was collected for inspection and grading services for exports of timber. Such grading services were provided by the Trade Development Board at the request of timber traders to ensure the quality of sawn timber exported from Singapore. Inspection and grading services are now done by private inspection agencies.

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63 According to the Singapore authorities, the other reason for the export documentation is to enforce health, safety and other regulatory requirements on a limited number of products.
216. The Rubber Association of Singapore (RAS) is empowered to impose and collect a tax or "cess" on rubber exported from Singapore to recover the cost of quality control services provided to rubber traders. The tax was set at 75 cents a tonne in October 1975.

(ii) **Minimum prices**

217. Singapore does not apply any minimum or reference prices to exports.

(iii) **Export prohibitions**

218. Export bans and other export restrictions in Singapore are governed by the Control of Imports and Exports Act (Chapter 56). Export prohibitions are applied for safety reasons or in connection with international conventions, such as the Montreal Protocol on Chlorofluorocarbons (CFCs) and the CITES. Since January 1990, Singapore stopped all import and export permits for ivory and three animal species listed in danger of extinction by the CITES. The ban, however, did not apply to the export of registered pre-convention stock.

219. Other export prohibitions under the Control of Imports and Exports (Prohibition) Order of 1974, include the following: cigarette lighters in the shape of a pistol or revolver, toy currency notes or toy coins, firecrackers and amusement machines.

220. All exports to Iraq are prohibited since August 1990 according to United Nations resolutions. Trade sanctions against Iraq are strictly enforced and cover all products, including food and medical products.

(iv) **Export licensing**

221. Licensing, including endorsements are required for only a few categories of exports. The Control of Imports and Exports (Endorsement) Order was enacted in 1974, mainly for export monitoring purposes, related to strategic, public health, public security or environmental considerations. Products requiring endorsement for exportation include articles of clothing, arms and explosives, helmets, steel, toy guns, handcuffs and coffee in all forms.

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64 For example, exports of rhinoceros horn worked, unworked or prepared and waste and powder of this product are prohibited.

65 Other legislation on export controls, the Control of Exports of Goods by Post Order (Footnote Continued)
222. Under the Control of Exports (Licensing) Order of 1974, an exporter is required to have a licence for the export of granite and sand from Singapore. The purpose is to regulate the exports of these products which are required by the local construction industry. According to the authorities of Singapore, the licensing is now automatic.

223. Export controls on certain agricultural commodities concern cooperation with importing countries for the international control of diseases and the protection of endangered species of wildlife. For example, an export permit is required for the export of dogs and cats, mainly to certify that Singapore is free of rabies. In the case of wildlife and wildlife products covered by the CITES an export approval is required by the Primary Production Department.

224. Certain environmental controls are imposed on Singapore's consumption and exports of controlled substances in accordance with the Montreal Protocol on Substances that Deplete the Ozone Layer, to which Singapore is a signatory.

225. There is no compulsory export inspection, but the Singapore Institute of Standards and Industrial Research (SISIR) carries out inspections of local factories and products on behalf of overseas certification authorities.

226. Exports products eligible for tariff preferences under the ASEAN Preferential Trading Arrangements must have a certificate of origin issued by the Singapore Trade Development Board in order for preferences to be obtained in the importing country.

(v) Export restraints

227. Singapore is a signatory to the Multifibre Arrangement (MFA) and currently maintains bilateral export restraints with five countries:

(Footnote Continued)

(1974), states that arms, ammunitions and implements of war, and atomic energy materials and equipment cannot be exported by post, unless a permit has been obtained from the Controller of Imports and Exports.

66Under the Animals and Birds Act, no person shall export any animal or bird except in accordance with a licence in that behalf issued by the Primary Production Department. Animals to be exported are required to undergo an examination by a veterinary authority, who may refuse the export permit if the animal is found to be infected with any disease or was in contact with an animal which is infected with the disease. In April 1991, Singapore established the Animals and Birds (Pollorum Disease Eradication) Rules by which no poultry can be exported unless an export health certificate has been issued.
Canada, the European Community, Norway, Sweden and the United States. These agreements cover a range of textile and clothing products of cotton, wool and man-made fibre. In 1990, Singapore's exports of textiles and clothing covered by the five agreements amounted to S$1,565 million, representing 79 per cent of Singapore's domestic total exports of textiles and clothing.

228. The Singapore Trade Development Board is the national authority in charge of allocating textile export quotas. Seventy-five per cent of the annual quota is allotted to the companies on the basis of their past export performance, and the rest is allocated through tender. Under the tendering process, the quota is awarded to the highest tender, but the successful companies are required to pay the lowest successful tender price.

(vi) Export cartels

229. The Government of Singapore does not have a policy to encourage the formation of export cartels. The Government is not aware of the existence of any such cartels in Singapore. There is no State monopoly for any export item.

(vii) Voluntary restraints, surveillance and similar measures

230. Apart from textiles and clothing, Singapore's exports of umbrellas to France, since 1978, and colour televisions to the United Kingdom, since 1977, are subject to voluntary restrictions under Orderly Market Arrangements (OMA). These arrangements specify an export quota for 1990 of about 2.9 million umbrellas to France and 480,000 sets of colour televisions to the United Kingdom. The allocation of the quotas is based on the past year's performance of the companies.

(viii) Export subsidies

231. According to the Singapore authorities, the country does not have any legislation that provides general or specific export subsidies.

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67 In July 1991, Sweden notified the elimination of all its bilateral textile restraint agreements.

68 More information is given in Chapter V.

69 According to the Singapore authorities, the OMA with the United Kingdom was an industry-to-industry agreement.
(ix) **Duty drawback**

232. Although Singapore has provisions on duty drawback in Sections 78-81 of the Customs Act, these are not frequently used. The existing regulations enable the Director-General of Customs and Excise to allow to the manufacturer a drawback of the whole or a proportion of the duty paid on imported inputs provided certain conditions are fulfilled. For example, tobacco is to be manufactured in a licensed factory and exported within 6 months from the date upon which customs duty was paid. The Director-General may, before granting drawbacks, require the manufacturer to produce some evidence (proof of landing).

233. According to the Singapore authorities, duty exemptions for exporters are granted outright instead of through the "cumbersome" duty drawback practice of collecting duty first and later refunding the duties upon proof of export of the products involved.

234. The assessment of drawback is determined by the Director-General in his absolute discretion. In the event of any dispute arising as to whether duty has been paid or as to the method of computing drawback payable, the decision of the Director-General is final, i.e. no appeals are possible.

(x) **Corporate tax concessions**

235. Any manufacturing enterprise, which has an export sales of not less than S$100,000 or 20 per cent of the value of its total annual sales, may be granted exemption from the payment of corporate tax in respect of 90 per cent of the incremental qualifying profits above the export base. The exemption period is generally five years. Few export enterprises have

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70 For other manufactured products, the required period is 12 months. However, the Director-General may approve a longer period.

71 Sections 129 and 135 to 137 of the Customs Regulation, 1979. However, according to the authorities of Singapore, in the event of any dispute on the granting of duty exemptions, there are three avenues of appeal against Customs decisions. The most common avenue is to appeal to the Director General of Customs and Excise for a reconsideration of the decision taken by Customs. Another avenue is to appeal to the Ministry of Finance, the supervisory Ministry of the Department of Customs and Excise. The last avenue is to seek redress from the Courts.

72 In the case of an enterprise that has been exporting the approved product, the fixed base is the average of the annual export profits for the three years preceding the date of application for an export enterprise certificate. In other cases, the fixed base is determined by the Ministry for Trade and Industry. See Price Waterhouse (1990), *Doing Business in Singapore*. 
been approved in recent years, although the legislation for this incentive remains in force.

236. The Double Tax Deduction for Export Promotion Expenses contained in Sections 14(B) and 14(C) of the Income Tax Act allows any manufacturing company to apply for double deduction from its gross income, expenses incurred for the promotion of exports. Approved expenses include participation in approved trade fairs, exhibitions and missions, advertising expenses in trade publications and directories and maintaining overseas trade offices. The scheme, administered by the Trade Development Board, is available to all sectors.

(xi) Export finance

237. The Rediscounting Scheme of the Monetary Authority of Singapore (MAS) makes available funds for pre-export and export financing through the exporter's bank at a discount rate determined by the Authority. This scheme was introduced in May 1975 with the objective of providing local exporters with better access to short-term financing. The loan is generally extended for a period of three months or less. The rediscount rate charged by the Authority is usually comparable to the discount rate of commercial bills in the interbank market.\(^{73}\) Negotiating banks are allowed to charge a commission of not more than 1.5 per cent per annum above the discount rate. According to the authorities of Singapore, this scheme is not a major component of export financing, accounting on average for less than 3 per cent of total commercial bills financed in the past three years.

(xii) Export insurance and guarantees

238. The Government of Singapore does not have any export credit guarantee or insurance schemes. All export credit guarantees and insurance are provided by commercial banks and other financial institutions.

239. However, ECICS Ltd., a wholly owned subsidiary of the Export Credit Insurance Corporation of Singapore, a joint enterprise between the Government (50 per cent shareholding) and the private sector, provides companies which sell on credit, insurance coverage against non-payment caused by political and/or commercial factors.\(^{74}\) The company insures

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\(^{73}\) However, at the end of September 1991, the MAS' rediscount rate was 5.25 per cent per annum and the three-month rate in the commercial bill market 4.56 per cent per annum.

\(^{74}\) See, for example, Singapore International Chamber of Commerce (1991), *op. cit.*; and (Footnote Continued)
manufacturers and traders against non-payment of credits relating to domestic sales, exports, entrepot trade and corresponding services. The export credit insurance facilities can be grouped into two categories: comprehensive and specific. Comprehensive facilities are generally for exporters engaged in the export and re-export of goods and services which are repetitive in nature and where the credits are normally for not longer than six months. Specific facilities are more suitable for exports of capital goods or services which are non-repetitive in nature and involve credits in excess of one year.

240. The risks insured include commercial and non-commercial. The insurance scheme does not cover any loss arising from the insured party's own negligence or default or his failure to comply with the stated terms and conditions. It also does not cover foreign exchange loss or losses arising from a collecting bank's or agent's failure. Nor does it cover risks which are normally commercially insurable, such as marine and fire risks.

241. Apart from risk insurance, the same company offers three types of guarantees: letter of assignment, unconditional guarantee to bank and pre-shipment credit guarantee. The unconditional guarantee to bank, which assures the bank of payment by the corporation under all circumstances, applies to individual shipments and the percentage of indemnity is up to 85 per cent of the face value of the bill or the net discounted value of the bill, whichever is lesser. The pre-shipment credit guarantee is issued to banks in respect of pre-shipment advances made to exporters for purchasing, manufacturing and packing goods for export against confirmed orders. The guarantee period is up to 90 days with a flat premium rate.

(Footnote Continued)

Price Waterhouse (1990), op. cit.

According to the authorities of Singapore, this company, although partly owned by the Government, does not receive subsidies and has no monopoly of export credit insurance, as it competes with local and foreign banks, insurance companies and factoring agencies. The company does not provide insurance at subsidized rates.

These are for example, buyer's insolvency, buyer's failure or refusal to accept goods even though the goods are according to specifications. Non-commercial covered risks include the blockage or delay in the transfer of payment outside the control of the insured and buyer, imposition of import restrictions outside the control of the insured and buyer, cancellation of valid import licences, and war, revolution or other similar disturbances.

(xiii) Export promotion, marketing assistance

242. The Singapore Trade Development Board is the national trade promotion agency set up in 1983 to develop and expand Singapore's international trade. The function of TDB includes the following: to promote exports and develop new markets for goods and services; to develop Singapore as an international trading centre for all types of trading activities; to safeguard Singapore's external trade interests; and to administer Singapore's trading system.

243. The Government does not target any specific sectors or areas for export promotion. The export promotion activities organized by the TDB are largely done in consultations with the private sector.

244. The Trade Development Board funds its export promotion activities largely from income generated from documentation fees collected for the administration of Singapore's trade and ad hoc revenue such as the sale of textile and CFC quotas. No estimates of the funds involved in export promotion were made available.

245. A market development assistance scheme was recently introduced to encourage and assist companies in Singapore to set up overseas offices, to improve product and package designs, to market new products and services, to participate in trade fairs and exhibitions, to produce promotional brochures and to bid for overseas contracts. The Trade Development Board provides financial assistance for eligible expenditure up to S$10,000 per company and per calendar year. To qualify for this scheme, companies must be registered in Singapore, have fixed assets of not more than S$3 million, employ less than 100 employees, and promote Singapore's products or services overseas.

(xiv) Export performance requirements

246. Singapore does not have any regulations imposing export performance requirements. The Government does not fix export conditions to foreign investors.

(xv) Free-trade zones, export processing zones

247. There are no export processing or free-trade zones in which industries are located. The existing free-trade zones in Singapore provide a range of facilities and services for the storage and re-export of goods (details are given in Section 3(xx)).
(xvi) **Other measures**

248. Certain Singapore-made export products benefit from the Generalized System of Preferences (GSP) Scheme established by some industrialized countries. Singapore's GSP exports have steadily increased during the 1980s to reach around US$3.2 million in 1988. In 1989, following the United States' decision to graduate Singapore from its GSP scheme, GSP exports declined by more than 30 per cent (Table IV.10). However, certain studies show that the economic impact of the withdrawal of GSP benefits by the United States seemed inconsequential for Singapore.\(^{77}\) Domestic exports of items which were the top GSP exports in 1988 increased in 1989 despite the loss of GSP privileges. According to this study, there seems to be evidence of more domestic exports of items which previously went to the United States under the GSP now going to Japan. These products were data-processing machines, other radio-receivers, parts for TVs and radios. The exact importance of trade diversion cannot be conclusively determined as other factors such as the exchange rate, trade policies, and relative international competitiveness may have encouraged exports of such goods into Japan.

249. Singapore's exports have been affected, in some cases, by market access barriers or the threat of them. Between 1984 and 1990, 34 anti-dumping and seven countervailing duty investigations were conducted against Singapore. Anti-dumping actions were mainly initiated by Australia, Canada, the European Communities and the United States. The United States was the only country that initiated countervailing duty investigations.

250. Singapore's exports face a number of other trade barriers in international markets. Affected products include mainly manufactured products (Table IV.11).

251. According to the Singapore authorities, the country's exports have also been affected by "unilateral and arbitrary" interpretation of rules of origin, especially by the European Communities and the United States. Singapore is concerned about two product-specific rules of origin established by the European Communities: the rules relating to semi-conductors which require the process of "diffusion" to be conducted in Europe in order to be recognized as "Community origin", and a higher than normal local-content requirement of 40 per cent in respect of some

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\(^{77}\) See, for example, Toh Mun Heng and Linda Low (1991), *Economic Impact of the Withdrawal of the GSP on Singapore*, Institute of Southeast Asian studies, Singapore.
electrical and electronic appliances. In the United States' market, Singapore's exports of fabricated steel structures and machinery centres have faced market-access problems due to unilateral interpretation of certain aspects of rules of origin.

(4) Measures Affecting Production and Trade

252. The laws and regulations governing industry assistance in Singapore are contained in the Economic Expansion Incentives Act (Chapter 86) and the Income Tax Act. The assistance provided by the Government is mainly in the following forms: tax concessions to promote the establishment of industries in Singapore, the upgrading of existing industries, and for research and development; provision of loans to help companies upgrade their productive activities; and provision of grants to encourage local companies to develop and design new products and processes and for the training of technical skills (Table IV.12). These programmes are not provided on a sector-specific basis.

253. There are a number of government and semi-government institutions dealing with industrial development and investment in Singapore. The activities of these institutions directly or indirectly may have an effect on production and trade. Major agencies and statutory boards include the Economic Development Board, the Singapore Institute of Standards and Industrial Research, the National Productivity Board, the Singapore Trade Development Board and the Jurong Town Corporation.

254. The Economic Development Board (EDB), established in 1961, is a statutory board responsible for the planning and promotion of industrial development in the manufacturing and services sectors in Singapore. The EDB's operational divisions are: the industry development division, the services promotion division, the enterprise development division, and the manpower development division (See Annex IV.1). EDB's activities include evaluating applications for tax and other incentives, and assisting investors to obtain land and factory space, long-term financing, and skilled manpower.

255. Currently, EDB's focus is on the promotion of investors in manufacturing and services, where Singapore has a comparative advantage; encouraging companies to use Singapore as a business centre to design, develop, produce, market, export and service their products, and to manage their funds from the Singapore operational headquarters; encouraging

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78 The following description of Official Agencies dealing with assistance to industries in Singapore is based on: Singapore International Chamber of Commerce (1991), op. cit.
existing foreign and local industries to upgrade their technological levels through investment in new technology, automation, training and product development activities; adoption of strategic marketing initiatives; stimulating the development of local entrepreneurs and the growth of small business enterprises, in particular those which are export-oriented; and providing training in new skills required by the manufacturing and technical services sectors.

256. The Singapore Institute of Standards and Industrial Research (SISIR) is the national standards body and a research and development organization dedicated, among other activities, to assist local industries by using industrial technology. SISIR, a government statutory board that is independent and self-financed, has two main areas of activities, as the national standards authority and as a multidisciplinary technology resource centre.

257. As the national standards and certification authority, SISIR offers several programmes to help local industry to upgrade quality and meet customers' requirements. It also maintains and disseminates the national measurement standards. As a technology resource centre, SISIR's services and programmes are actively carried out by its technology divisions: materials technology division, product and process technology division, technology transfer division, and electronics and computer applications division. Specific activities carried out by SISIR's divisions are given in Annex IV.2.

258. The Singapore Trade Development Board (TDB) is the national trade promotion agency set up in 1983 to develop the country's international trade. Besides promoting and developing new markets for Singapore's products and services, the TDB is also responsible for developing Singapore as an international trading centre. It, therefore, welcomes and provides assistance to both local and foreign companies to use Singapore as a base for all types of trading activities, including third-country trade, entrepôt trade and countertrade as well as regional warehousing and distribution. Major activities of the TDB include maintaining a network of trade offices in major cities worldwide, disseminating up-to-date trade and market information, and organizing promotion activities.

259. The National Productivity Board (NPB), established in 1972, is vested with the responsibility of promoting productivity. To realize its mission,
the NPB has set itself five specific objectives, ranging from those related to individual workers to those which concern the company as a whole. NPB activities are carried out in the areas of promotion, at national and company level, training for companies and individuals, management guidance and productivity research and measurement.

260. The Jurong Town Corporation (JTC), a statutory board established in 1968, is responsible for the development and management of industrial estates in Singapore including the allocation of prepared industrial land sites with infrastructural facilities, the construction and leasing of ready-built standard and flatted factory buildings, the provision of port and bulk cargo handling facilities at the Jurong Industrial Port, and the provision of engineering and logistic back-up for the Asia-Pacific offshore industry at the Jurong Marine Base. Details of JTC activities are given in Annex IV.3.

(i) Investment promotion

261. One of the fundamental economic strategies of the Government of Singapore is to make the country as attractive as possible to domestic and foreign investors in activities it considers suitable. As shown in Chapter III, Singapore draws no distinction between foreign private investment and local investment. Manufacturing firms interested in investing in Singapore may receive incentives from the Economic Development Board. The EDB administers most of the investment incentives offered by the Government. Investment incentives, mainly in the form of tax concessions, are explained in section 4(iv) below.

262. Singapore does not operate any formal screening mechanism to permit certain investments and exclude others. However, the Government is highly selective in the granting of investment incentives, in order to promote industries consistent with its overall development strategy.

263. During the 1980s, the Government of Singapore singled out, for investment promotion, certain key industries that use skilled labour, require relatively few natural resources such as land, water and energy, and benefit from Singapore's comparative advantage in location and modern infrastructure. These industries include: automotive components; medical and surgical apparatus and instruments; machine tools and machinery; speciality chemicals and pharmaceuticals; computers, computer peripheral

equipment and software development; electronic instrumentation; optical instruments and equipment, including photocopying machines; precision-engineering products; advanced electronic components; and hydraulic and pneumatic control systems.

(ii) Adjustment assistance

264. Due to a limited increase in labour supply, the Government of Singapore found it necessary to both restructure output towards higher value added and knowledge-and-skill-intensive goods and services, and to continuously upgrade the means of production. Considerable effort has been put into programmes to identify skills for which there are shortages and to develop labour skills. Besides various worker and adult education programmes, a Skills Development Fund (SDF) levy on employers of 1 per cent of the wage bill was introduced in 1979. All employers are eligible to draw on the SDF to upgrade the skills of their workforce and to increase on-the-job training.

265. The Skills Development Fund (SDF) was established with the primary objective of encouraging employers to train persons in employment and to retrain retrenched workers. The SDF provides financial incentives to employers through a number of training grant schemes.

(iii) Assistance for research and development

266. The main thrust for the enhancement of Singapore's scientific and technological capabilities were outlined by the Economic Committee in 1986. The main objectives of Singapore's research and development policy are to improve the design and development capability in established industries, and to help the introduction of new technologies which are expected to contribute to economic growth. The Singapore Government encourages research and development activities by providing the necessary infrastructure. The Government works closely with the National University of Singapore, the Nanyang Technological University and specialized research institutes such as the Institute of Molecular and Cell Biology.

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81 The Hong Kong and Shanghai Banking Corporation (1989), *Business Profile Series: Singapore*.

267. Singapore's ongoing efforts to develop its technology sector focuses, for example, on four key areas: building up adequate human resources, strengthening the research and development infrastructure, fostering industrial growth, and promoting the collaboration and partnership between academic institutions and the industry. Multinational and local companies in Singapore are participating in these efforts by utilizing biotechnological processes in such areas as the production of animal vaccines, diagnostic kits and plantlets, and development of food flavours. A National Biotechnology Committee has been formed to assist and advise the Economic Development Board in formulating a strategic framework for biotechnology promotion and development.

268. Various incentives are offered to manufacturing companies engaged in research and development activities and to specialized R&D institutions servicing these companies. Institutions conducting major research and development projects of national and technological significance may apply for government funding. Participating organizations are expected to bear part of the R&D costs, especially when the results are of direct interest to those organizations.

269. The Research and Development Assistance Scheme, administered by the National Science and Technology Board, provides financial grants for companies conducting research and development of technological significance. Each grant covers from 30 to 70 per cent of the direct cost of the project which includes the costs of manpower, equipment and miscellaneous items. If the results of the project bring significant economic benefits to the company, it is expected that the costs of the project, up to the value of the grant provided, will be recovered from the company. By the end of 1989, 13 projects had been awarded grants worth S$13.5 million, bringing the number of supported projects, since 1981, to 85, and total fund commitments to S$56.5 million.

270. It is reported that the Government of Singapore intends to accelerate research and development activities with a view to increase its share in GNP from 1 to 2 per cent in 1995. The final target is to bring this share closer to that of industrialized countries (around 3 per cent). A National Technology Plan, worth S$2 billion, will be implemented by the National Science and Technology Board. The main objective of this programme is to

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83See the Economic and Social Commission for Asia and the Pacific (ESCAP), *Industrial Development News*, 1990 No. 18/19.
increase the number of experts involved in R&D activities form currently 28 to 40 per ten thousand of population in 1995.  

271. An additional period of 1 or more years of "pioneer status" may be granted to manufacturing companies that include research and development as part of their operations. In addition to the normal capital allowances explained below, an investment allowance of up to 50 per cent of the fixed investment in R&D equipment can be considered. All companies undertaking research and development activities are eligible to apply for double deduction of research and development expenses under Section 14 (E) of the Income Tax Act (Table IV.12).

272. Plant and machinery used for research and development can be depreciated over 3 years, and R&D building over 25 years. Withholding taxes on payments to foreigners of royalties, technical assistance fees and contributions to R&D may be exempted.

(iv) Production subsidies, tax concessions

273. Singapore does not provide production subsidies targeted at specific sectors or product groups. The Government's policy is that domestically-produced goods and imports should be subject to the same rules of competition.

274. The Singapore Government maintains a number of tax incentives to attract both foreign and local investment. No differentiation is made between foreign and local investment capital in the granting of these incentives, as shown above. Tax incentives confer tax exemption or reduced taxation for companies in qualifying manufacturing, service and export trade activities.

275. To encourage the establishment of more high-technology industries, certain investment incentives were introduced in August 1984 under the Economic Expansion Incentives (Relief from Income Tax) Act. Incentives include, among others, the award of pioneer status and the granting of expansion incentives to industries offering laboratory or consultancy services, research and development and computer-based information. Certain

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84 This compares with the shares of 87 in Japan, 77 in the United States, 56 in Germany and 51 in Sweden. (Nachrichten für den Außenhandel, 16 September 1991).
tax concessions provided by the Government of Singapore are explained below (Note IV.1).

(a) Pioneer status

276. Under this mechanism, profits of manufacturing and certain services companies, awarded "pioneer" status, may be exempted from the 31 per cent tax on profits arising from pioneer activity by the Minister for Finance for a period of five to 10 years. The criteria used by the Economic Development Board to grant tax incentives are that the investment generate substantial economic benefits, introduce new technology or skills or result in greater efficiency in resource utilization, and that the project be significantly more efficient in resource utilization than the industry average. An additional requirement is that there should be no companies in Singapore performing a similar activity without having been awarded the pioneer incentives.

277. The Trade Development Board administers the pioneer status incentive scheme for countertrade activities. The aim is to develop Singapore into a countertrade services centre. To qualify for pioneer status for countertrade, a separate company must be formed to engage only in countertrade, the company should have established international trading links, and at least one leg of each countertrade transaction, whether financial or physical movement of goods, must be routed through Singapore.

85 The following description of investment incentives in Singapore is based on: Lim Chong Yah and Associates (1988), Policy Options for the Singapore Economy; Price Waterhouse (1990), op. cit.; and UNCTAD (1988), Regulation of Foreign Investment in Asia, Part I.

86 Upon expiry of the pioneer status, "post-pioneer" incentives may be granted, consisting of a reduced corporate tax rate of 15 per cent for up to 10 years.
Note IV.1

Tax incentives in Singapore

1. Pioneer status for approved manufacturing and service activities: exemption of tax on profits, tax relief period of 5 to 10 years.
2. Expansion incentive for approved manufacturing and service activities: exemption of tax on profits in excess of pre-expansion level, tax relief period of up to five years.
3. Approved foreign loan scheme for manufacturing and service activities: exemption of withholding tax on interest.
4. Approved royalties for approved manufacturing and service activities: half or full exemption of withholding tax on royalties.
5. Export incentive for export activities: 90 per cent tax concession on approved export profits.
6. Double tax deduction for expenses on export promotion and research and development.
7. Accelerated depreciation allowance.
8. Investment allowance for approved manufacturing and service activities, research and development activities, construction operations, and projects for reducing consumption of potable water.
9. Post-pioneer incentive for approved companies enjoying pioneer status or export incentive as a follow up to pioneer incentive: corporate tax rate of not less than 10 per cent for up to 5 years upon expiry of pioneer or export incentive.
10. Ten per cent concessionary tax on income of Asian Currency Units, offshore income of insurance companies and income from offshore gold transactions.
11. Tax exemption on income from approved syndicated loans and syndicated credit facilities.
12. Tax exemption on income of Singapore-registered ships.
13. Fifty per cent tax concession on export income of approved warehousing, technical or engineering services, consultancy services and international trading companies.
14. Concessionary 10 per cent tax on income from approved headquarter operations.
15. Venture capital incentive for investment by eligible companies and individuals in approved new technology projects: losses incurred from the sales of shares, up to 100 per cent of equity invested, can be set off against the investors' other taxable income.

(b) Expansion incentive

278. The profits from approved plant expansion (over S$10 million) in new productive equipment and machinery are exempted from the 31 per cent corporate tax for a period of up to five years. This applies to profits directly attributable to the new capital spending.

(c) Investment allowance

279. Companies starting up or increasing the manufacture of any product can apply for exemption of taxable income worth up to 50 per cent of the fixed capital expenditure. The allowance is also available for expenditure aimed at acquiring technical know-how or patent rights. Companies that engage in specialized engineering or technical services, research and development activities and construction may also qualify for this benefit. There is no statutory minimum requirement in terms of fixed investment or turnover for a project to be considered under this scheme. However, the fixed capital expenditure must be incurred within a specified period not exceeding 5 years.

(d) Foreign loans for productive equipment (Approved Foreign Loan Scheme)

280. The 40 per cent withholding tax on interest payable to foreign lenders for loans can be exempted if the foreign loan is more than S$200,000 and is used for the purchase of productive equipment for manufacturing and related activities. The tax relief should not result in an increase in tax liability in the foreign country.

281. Similarly, the withholding tax on approved royalties, licence fees, and technical assistance fees or contributions to research and development costs paid to non-resident foreigners can be exempted.

(e) Accelerated depreciation allowances

282. In lieu of the normal initial depreciation allowance of 25 per cent and annual allowance from 5 to 20 per cent, industrial enterprises may claim an accelerated allowance of 33 1/3 per cent per annum for a period of 3 years on capital expenditure incurred on plant and machinery. Capital expenditures on robots, computers and other prescribed office automation equipment are eligible for an accelerated depreciation allowance of 100 per cent write-off in the first year.
(v) **Regional assistance**

283. Singapore does not maintain any regional assistance scheme.

284. Initiatives to develop a regional "Triangle of Growth" were taken by the Singapore Government in 1990. This proposal includes Singapore, Johor (the southernmost state of peninsular Malaysia) and the Riau Islands of Indonesia. The Government of Singapore considers the Triangle of Growth as one investment region offering many cost advantages. The region benefits from land and labour at competitive costs as well as developed infrastructural facilities, skills and management expertise.

(vi) **Other measures**

285. The Economic Development Board provides financial assistance to small and medium-sized enterprises and joint-venture companies. The EDB is expected to spend S$847 million in 1990-94 on grants, soft loans and equity in high-technology projects under various assistance schemes (Table IV.12).

286. The Small Industry Technical Assistance Scheme and the Product Development Assistance Scheme are aimed at helping local companies improve their operations and create new products respectively. Applications for the schemes are processed and approved by the Singapore Institute of Standards and Industrial Research. In the financial year 1990/91, SISIR has processed and approved 39 industrial projects, with a total value of S$1.4 million.\(^{87}\)

287. The Small Industry Technical Assistance Scheme provides cash grants to cover part of the approved costs of engaging external experts and of training the managerial and technical staff. The grants range from 30 to 70 per cent of allowable costs. The scheme is open to manufacturing or services companies with a 30 per cent local equity, and fixed productive assets of less than S$12 million (for manufacturing companies) or a staff of fewer than 50 (for services companies). The Product Development Assistance Scheme provides a grant of up to 50 per cent of direct costs for manpower training, equipment, prototype fabrication, consultants' fees and patent searches.

288. Soft loans are provided for small and medium-sized local enterprises to purchase machinery and factories. The Small Industry Finance Scheme, administered by the Economic Development Board, is designed to assist and

\(^{87}\)SISIR News, June 1991.
encourage small and medium-sized local enterprises to upgrade and expand their operations. There are also many other development assistance schemes, such as the capital assistance scheme, venture capital scheme, initiatives on new technology, robot leasing scheme, business development scheme and feasibility study grant. 88

88 The Development Bank of Singapore (DBS) was established in 1968 to provide long-term financing in support of Singapore's industrialization and general economic development. Currently, it has evolved to become a multi-service bank and the largest Singapore commercial bank in terms of assets.
Annex IV.1
Organizational structure of the Economic Development Board of Singapore

(i) Industry Development Division
- Process and light industries: chemicals group and light industry groups (e.g. textiles, furniture, food and beverages)
- Systems: electronics systems group, manufacturing systems group, engineering systems group, and aerospace group
- Components: electronic components group, technology promotion group, and industrial facilities group

(ii) Services Promotion Division
- Technical services group
- Business services group

(iii) Enterprise Development Division
The central co-ordinating agency for the promotion of entrepreneurship and local enterprise development. The division provides development incentives and assistance to local enterprises in the areas of business planning, finance, technology, management and international marketing. The financial assistance schemes administered by the division include: Enterprise Consultancy Assistance Scheme, Small Industry Technical Assistance Scheme, Small Industry Finance Scheme, Business Development Scheme, Investment Allowance Scheme and Venture Capital Scheme

(iv) Manpower Development Division

Annex IV.2
Organizational structure of the Singapore Institute of Standards and Industrial Research (SISIR)

1. Materials Technology Division: Provides high-level technical support to industries to evaluate and diagnose failures, develop new material applications and undertake applied research and development projects.

2. Product and Process Technology Division: Provides basic infrastructural support in process development, promotes and disseminates technology in design and development, food technology, product evaluation and electronics testing.

3. Technology Transfer Division: Facilitates the transfer and adoption of appropriate technologies to Singapore industry so as to maximize its business potential. In this respect, the division offers the following services: Centre for Technology Transfer, Information Centre for Technology, Technology Diagnostic Centre, and Training Centre for Technology.

4. Electronics and Computer Applications Division: Concentrates on the development of new industrial products and systems through the application of electronics and computing technology.

Annex IV.3
Principal activities of the Jurong Town Corporation (JTC) in Singapore

1. Industrial estates: Currently, the JTC manages 29 industrial estates. Some 4,400 companies can be found in the estates and, together, they employ about 76 per cent of the nation's manufacturing workforce.

2. Land and factories: Manufacturers wishing to set up their operations in Singapore have a wide range of industrial facilities, including prepared industrial land, ready-built, single-storey standard factories and multi-storey flatted factories.

3. Development programmes: The following development programmes have been drawn up by the JTC to promote new investments by high technology and skill-intensive industries and to upgrade production methods of existing industries: Singapore Science Park, Business Parks, Industrial Estates Renewal programme, and Technical Institutes.

4. Jurong Port: It is primarily an industrial port handling raw materials, including mainly cement clinker, industrial chemicals, fertilizers, sugar and grains.

5. Jurong Marine Base: It serves as a logistics supply base for the oil, gas and mineral exploration industry in the Asia-Pacific region. In addition to the warehouses in the Jurong Marine Base itself, the base also manages two other warehouse complexes within the Jurong industrial estate.

V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

289. Singapore does not operate major policy schemes with a view to supporting particular activities. Financial incentives and tax exemptions for investments in Singapore are in principle available to all sectors. However, emphasis is placed on attracting and expanding activities that are expected to promote economic development, for example in terms of productivity and labour skills.

(2) Agriculture

(i) General features

290. Singapore's stated policy objectives with respect to agriculture, forestry and fishery are to ensure stable and adequate supplies of safe and wholesome meat, fish and vegetables; to safeguard the health of animals, fish and plants; and to protect endangered species through trade controls. The Government agency dealing with this sector is the Primary Production Department (PPD) under the Ministry of National Development. Besides regulatory functions connected with the above-mentioned objectives, the PPD also develops and manages agro-technology parks, promotes high-technology farming and agro-technology, carries out research and development activities, and provides counselling services to primary producers and traders.

291. Overall, agriculture is of very limited significance to the Singapore economy. The sector represents no more than 0.3 per cent of GDP and 0.5 per cent of the labour force (Tables V.1 and V.2); about 2 per cent of the land area is used for agricultural purposes.

292. The number of farms and the farm area have declined over time as farmland is cleared for new development projects. At the end of 1990, there were 1,039 farms in Singapore as against 1,187 one year before. Their production totalled S$263 million (1990). Main product categories


2 For example, farmers are advised on the proper handling and safe use of pesticides.
included poultry, eggs, fish and vegetables for local consumption; and orchids and ornamental fish for exports.\(^3\)

293. In 1989, agricultural imports of more than S$3.5 billion compared with exports of some S$2.5 billion (Chart V.1). About 60 per cent of all agricultural imports originated in m.f.n. sources.\(^4\) Food, beverages and tobacco accounted for only 2.4 per cent of total merchandise imports in 1989. Cigarettes were the only category in this group falling among the 25 most important imports into Singapore in 1989 (Table V.4). The relative lack of importance of foodstuffs among imports is a reflection of Singapore's rôle as an international centre for trading and upgrading manufactures, as well as for entrepôt activities with low valued added.

294. Border protection, almost exclusively by tariffs, is confined to 76 agricultural items. These are mainly processed food products such as chocolate and other preparations containing cocoa, sugar confectionery, and bakers' wares. In 1989, ad valorem tariffs on these products averaged 0.1 per cent (Table AV.1). Specific duties, not included in this figure, are levied on birds' eggs and on alcoholic beverages such as beer, wine, vermouth, and spirits.

295. With the exception of a licensing requirement on rice deliveries (Section (iii) below), there are no quantitative import controls on agricultural products. Also, no quantitative controls are imposed on domestic sales or on exports. However, the country maintains a system of strict sanitary and phytosanitary requirements. They may vary by area of origin, depending on the sanitary status of the exporting country.

296. Quarantine requirements are administered by the Veterinary Regulatory Branch within the PPD. The Branch is also mandated to ensure that live animals, birds and fish for export do not carry infectious diseases.\(^5\) The

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\(^3\)In 1990, Singapore produced 137,600 pigs, 3.1 million chickens, 4.3 million ducks, 364.8 millions hen's eggs, 35.4 million quail's eggs and 8,900 tonnes of vegetables. Local fish farms delivered 2,400 tonnes of food fish. Domestic exports of agricultural products amounted to S$101 million, consisting of S$66.6 million of aquarium fish, S$10 million of aquatic plants and S$24.5 million of flowers (mainly cut orchids) and foliage plants.

\(^4\)However, given the basic openness of Singapore's trade régime across a wide range of agricultural products (see following paragraph), preferential tariff treatment proves far less important than the remaining 40 per cent-share would suggest. In the GATT Tariff Study, all imports from ASEAN countries, whether or not subject to m.f.n. tariffs, were counted as preferential trade.

\(^5\)Singapore is free of major animal diseases, including rabies, foot-and-mouth disease and African Swine Fever. In 1990, a total of 52,608 veterinary permits and 5,373 veterinary health certificates were issued for the import and export of animals, birds and fish. The quarantine unit at the Changi International Airport inspected a total of 5,491 airflown (Footnote Continued)
Plant Health Branch of the PPD is to regulate the import of plants with the aim of preventing the introduction and spread of plant diseases. Food samples are regularly screened for residues of more than 100 pesticides and fungicides, for toxic metals, radioactive contaminants and for any additives deemed to affect human health. All food processing plants must be licensed in order to ensure compliance with the relevant quality and safety standards.

Chart V.1
Trade in agricultural products, 1980-89


(Footnote Continued)

consignments of animals, meat and meat products, fish and plants. Forty consignments of animals, birds and their products were confiscated.

\[6\] In 1990, 4,145 consignments of imported vegetables were tested. Of these, 47½ per cent which were found to contain chemical residues beyond the maximum limits were destroyed.
(ii) **Livestock products**

297. Poultry farming represents about two-thirds of Singapore's agricultural production. Domestic suppliers cater for 12 per cent of the consumption of poultry meat and of 37 per cent of eggs. Local farms and hatcheries export day-old chickens to countries in the region. By contrast, pig farming has recently been phased out because of environmental problems. According to the Singapore authorities, domestic demand for pork is met entirely by imports of live pigs and frozen pork (Table V.5).  

298. To prevent adulteration and substitution, the PPD regularly screens imports of fresh and processed meat. In 1989 and 1990, no such cases were detected. Imported meat and meat products undergo a systematic sampling and testing programme for preservatives and additives. In 1990, 15 out of some 1,200 consignments were found to contain excessive nitrate or nitrite levels; they were rejected.

(iii) **Crops and other vegetable products**

299. Apart from rice, Singapore does not maintain any specific trade policy measures or practices affecting crop imports. There are no tariffs.

300. Rice is subject to a licensing system. It is designed, according to the Singapore authorities, to ensure the stability of supplies and prices for security reasons. Two categories of import licences exist: stockpile licences and ordinary licences. While the latter are issued automatically for non-stockpile grades of rice, licences for stockpile grades are only available to (licensed) traders who participate in the Rice Stockpile Scheme. The Scheme provides for a reserve stock for emergency use. It requires all participants to store prescribed types and quantities of rice in proportion to their total imports.

301. During the period 1986 to 1988, Singapore's average annual imports of rice amounted to 200,000 tonnes, about one-third of the country's total imports of crops. More than 90 per cent came from Thailand.

302. In 1990, Singapore's domestic vegetable production reached 9,000 tonnes, down from some 40,000 tonnes in the early 1980s. The bulk of

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7 Some 148 farms in Indonesia, Malaysia and Thailand are accredited to export pigs to Singapore for slaughter. In 1990, nearly 1.1 million pigs were imported from these farms, up from 698,000 in 1989.

8 Over the same period, domestic fruit supplies dropped from around to 10,000 to 1,000 tonnes.
Singapore's fresh vegetable consumption is imported from neighbouring countries, particularly Malaysia and Indonesia. Substantial deliveries also come from China, Taiwan and Australia (Table V.6).

(iv) **Fishery products**

303. Fishing activities in Singapore are governed by the Fisheries Act of 1966. The Act confers considerable powers on the Ministry of National Development to control fishing in order to ensure the protection and conservation of fisheries. The Act also provides the basis for regulating the use of fishing harbours. Every fisherman, fish farmer, fish dealer and any person connected with fishing or the fishing industry must be registered.

304. Under Singapore's Fisheries Rules of 1969, all trade in fish (imports, exports and transhipments) is subject to licensing. The rationale for licensing is to provide a surveillance system to regulate imports and exports of fish and fishery products for public health and related reasons. The Director of the Primary Production Department may issue the licences "subject to such conditions as he thinks fit". The relevant fees range from S$65 up to S$350 (for ornamental fish).

305. Licensing requirements, administered by the Fisheries Regulatory Section of the PPD, also apply to fish processing, commercial fishing and fish farming activities. The Section also maintains import surveillance and control programmes for specific types of fish and fishery products. In 1990, 1,225 import consignments were inspected and tested for safety and wholesomeness.

306. Singapore's domestic fish production, around 11,400 tonnes in 1990, comprises mainly catches from the sea (Table V.7). Relatively small quantities are produced by some 80 licensed marine and other fish farms, cultivating high-value fish like groupers and seabass. While far less important in volume terms, Singapore is a major producer and exporter of

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9 For example, the Ministry can regulate or prohibit any method of fishing, prescribe the species or the minimum weights and sizes of fish which may be cultivated, captured or taken for the purpose of sale, processing, consumption or consignment. The sale or exhibition of fish may also be controlled under the Fisheries Act.

10 The stated objective behind these requirements is to maintain Singapore's reputation as a centre of quality seafood.

11 Products for export are subject to laboratory tests before health certificates are issued. The level of mercury in fish and other seafoods is monitored. In 1990, out of 816 export consignments which were tested, about 9 per cent were found to contain mercury above the established safety level.
aquarium fish. In 1989, it exported S$61.7 million worth of aquarium fish and S$9.4 million worth of aquatic plants.\(^{12}\)

(v) Beverages

307. Imports of alcoholic beverages (beer, wine vermouth and spirits) are subject to specific duties.\(^{13}\) The same rates, with the exception of beer, are levied as excise taxes on domestic production. Singapore's beer producers enjoy a certain degree of protection as the import tariffs (S$4.80 on stout and porter and S$3.60 on other beers) are above the excise rates (S$2.50 on all beer varieties). Fruit and vegetable juices are free of import and excise duties (Table AV.1).

308. Distilling, fermenting, or otherwise manufacturing intoxicating liquor is subject to licensing.\(^{14}\) The same applies to the bottling of intoxicating liquors, whether imported or manufactured in Singapore. The licences are granted at the discretion of the Director-General of Customs and Excise, with the approval of the Minister of Finance. Wholesale and retail traders in intoxicating liquors also need to be licensed by the Liquors Licensing Board.

309. Only the Government Toddy Shops are allowed to sell toddy. A special permit is required for tapping palm trees for toddy.

(vi) Tobacco

310. Singapore’s tobacco industry grew rapidly in the early 1960s, protected by high import duties on cigarettes and cigars, as against low rates on unmanufactured tobacco.\(^{15}\) This appears to have changed since. At
present, most imports of manufactured tobacco are subject to specific duties of S$100 per kg, unmanufactured tobacco is assessed at a rate of S$50 per kg. Domestic production is subject to an excise tax, ranging between S$50 per kg on cigarettes and S$100 on cigars. The tax is on top of the import duty on unmanufactured tobacco. However, while import duties on unmanufactured tobacco are paid on the actual weight of tobacco, duties on imported cigarettes apply to the entire product, including filter and paper. The import duties on unmanufactured tobacco may be partly or fully reimbursed upon exportation of the final product (within a six-month period from the payment of the import duties).

311. In 1990, imports of manufactured tobacco amounted to US$437 million. Cigarettes, with an import value of US$280 million, were among the main 25 tariff items imported into Singapore in 1989. Principal suppliers were the United States, the European Communities, Hong Kong, China and Japan (Table V.4).

312. The tobacco sector is subject to a variety of regulations affecting production, trade and marketing. For example, tobacco manufacturers - they must have a formal Government licence - are in principle confined to supplies from Government warehouses, or licensed warehouses. Advertising and sales promotion for cigarettes and tobacco products is prohibited. Cigarettes and tobacco products must bear health warning labels on the packet. Cigarettes exceeding specified tar and nicotine contents (15 mg. tar and 1.3 mg. of nicotine) are not allowed for sale.

(vii) Other agricultural products

313. This heterogeneous product category includes oilseeds, fats and oils and their products; cut flowers, plants and vegetable materials; dairy products; and other agricultural products of animal and vegetable origin. They all enter duty free and without quantitative controls or restrictions. Health and sanitary requirements apply to all items (Table AV.1).

314. Recently, the PPD set up an Orchid Industry Committee mandated to co-ordinate and direct development initiatives in this sector. The Committee consists of representatives from the orchid growers, breeders and exporters, and Government institutions involved in research and development of the orchid industry. It aims at improving orchid hybridization and the

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16 The measures are maintained, according to the Singapore Government, for health and social policy reasons.

17 One of the following 4 warnings must be used: "Smoking causes heart disease", "Smoking causes cancer", "Smoking damages your lungs", or "Smoking harms those around us".
exports of orchids as cut flowers. The basic objective is to strengthen Singapore's rôle as a regional production and trade centre for floricultural products. In 1990, orchid exports amounted to S$20 million, mainly destined for Western Europe, Japan, Australia and the United States.

(3) Industry

315. Two phases of industrial development in Singapore have been distinguished: (i) the transition from entrepôt trade towards export-oriented labour-intensive manufacturing branches; and (ii) since the late 1970s, further restructuring towards export-oriented, high value-added and high technology activities. Government stimulus and (temporary) participation in key industries has contributed, with shifting emphasis, to making the manufacturing sector the mainstay of Singapore's economic ascent. Ongoing policy initiatives include investment incentives for "priority industries" and infrastructure and manpower development programmes.18

316. In 1990, Singapore's manufacturing sector accounted for nearly 30 per cent of gross domestic product as against 27 per cent in 1986 (Table V.1). It employed more than 28 per cent of Singapore's workforce (Table V.2). The sector has undergone major structural changes in recent years, characterized by the contraction of labour-intensive productions and the expansion of new technology industries, such as electronics, precision instruments, chemicals and biotechnology. Sectoral growth was led by the paints, pharmaceutical and other chemical products industry which recorded an output growth of over 30 per cent in 1990.19

(i) Coal, petroleum and natural gas

317. Singapore has no mining, petroleum or natural gas resources. Its petroleum industry is based entirely on imported crude oil. In 1990, the country imported around US$12 billion worth of crude, accounting for more than 10 per cent of total imports (Table V.10).20 Main suppliers were Saudi Arabia, the United Arab Emirates, Malaysia, China and Iran.

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18. The stated basic objective underlying Singapore's present industrial policy is to provide a "conducive business environment" for industries to be competitive. Apart from fiscal and financial incentives, the Government of Singapore currently provides a system of both formal and on-the-job training schemes in support of its campaign towards advanced technology. The schemes are administered by the Economic Development Board, the National Productivity Board and the Vocational, Industrial and Training Board.

19. Selected characteristics of major manufacturing industries in Singapore are given in Tables V.9 and AV.3, based on the Census of Industrial Production 1988.

20. Imports of refined petroleum products amounted US$2.7 billion (Table AI.1).
318. The petroleum industry currently contributes over 5½ per cent to Singapore's total manufacturing value added. With S$836,000 of fixed assets per worker (1988), it is the most capital-intensive segment of the economy.

319. Refined petroleum products are subject to import duties, either specific or ad valorem. Excise taxes, at the same rates, are levied on domestic production.

320. In 1990, Singapore's exports of refined petroleum products stood at US$9.2 billion, representing 17.5 per cent of total merchandise exports. Major markets were Japan, Thailand, Hong Kong, Malaysia and Taiwan. The closure of refineries in Iraq and Kuwait at the time of the Gulf crisis boosted demand for Singapore's capacity. Most of the refineries continue to operate at very high capacity.

321. Since February 1989, Singapore's Trade Development Board operates a specific support scheme (Approved Oil Traders Scheme) aimed at promoting Singapore as an oil trading centre. Under the scheme, approved oil traders are granted tax benefits - a corporate tax rate of 10 per cent instead of the regular rate of 31 per cent - on income derived from their offshore trading activities.21 These benefits are confined to traders with an annual turnover in Singapore of at least US$100 million; in 1990, 31 companies were covered by the scheme.

(ii) Rubber

322. Singapore is by far the world's largest rubber market. The Singapore rubber futures market handles about one million tonnes of natural rubber for re-export annually. An additional 2,000,000 tonnes are either traded offshore or transhipped through Singapore's port.

323. In 1990, Singapore's natural rubber exports reached US$778 million; main destinations were China, Japan and the United States. Imports totalled US$522 million, mostly from Malaysia and Thailand.

324. Except for three tariff items which are dutiable at 5 per cent, all rubber products enter duty-free.

21 The relevant income definition is broad-based, covering profits from trading, commissions from brokering and profits from trading in oil futures. Qualifying items are crude oil and its refined products such as gasoline, kerosene, naphtha, gas oil, heating oil, diesel, fuel oil, and low sulphur waxy residue.
325. Singapore's rubber processing industry has declined over the years. Between 1980 and 1988, the number of establishments decreased from 14 to 5 and its workforce from 2,000 to less than 200.

326. The Rubber Association of Singapore is the regulatory body for the sector. The Association establishes and disseminates official rubber prices which serve as a basis for contracts, it provides arbitration services and clearing house facilities, and it endorses certificates of origin and commercial documents relating to rubber trade. Under the Rubber Industry Act, the Association is also responsible for licensing rubber packers and shippers for export and manufacturers of specified rubber categories.

(iii) Textiles and clothing

327. The textiles and clothing industry was one of the mainstays of Singapore's industrial development in the 1960s. The product focus of the industry has shifted since from volume products towards more sophisticated high quality market segments. This applies particularly to clothing which, in output terms, has continued to grow. In the late 1980s, the sector employed some 30,000 persons, many of them were foreigners. Singapore's textiles producers, by contrast, have lost ground over time. Employment declined from 10,000 persons in 1980 to less than 3,000 in 1988; the volume of textiles production more than halved during the 1980s.

328. Observers argue that while Singapore's textile industry has failed to respond to the demand for product variety in its domestic and overseas markets, the clothing industry has increased international acceptance through improved quality and reliability. Accordingly, the industry's prospects for future growth are judged positive despite the threat of protectionism and labour shortage constraints.

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22 The Rubber Association of Singapore (RAS) participates in the International Rubber Study Group (IRSG), the International Rubber Association (IRA) and the Association of Natural Rubber Producing Countries (ANRPC).

23 At year-end 1989, 29 licensed rubber packers, 99 shippers and 2 manufacturers of Specified Singapore Rubber were operating in Singapore. (Rubber Association of Singapore, Annual Report, 1989.)

24 In parallel, the number of textiles establishments declined from close to 100 (1980) to 67 (1988), and the number of clothing establishments from 400 to 380.

329. In 1990, clothing exports were worth US$1,580 million, which compared with imports of US$910 million. As throughout the previous decade, the surplus in the clothing sector was outstripped by a larger trade deficit in textiles (Table V.11).

330. While Singapore's imports of MFA textiles are equally divided between developing and developed MFA suppliers, more than four-fifths of its clothing imports are sourced from developing countries. Most items enter duty free (two-thirds of tariff lines), the rest under a 5 per cent tariff. There are no quantitative restrictions. The direction of Singapore's textiles exports is shown in Chart V.2.

331. Close to 80 per cent of Singapore's exports of textiles and clothing are covered by bilateral restraint agreements under the MFA, involving Canada, the European Communities, Norway, Sweden, and the United States.26 Main export markets are the United States and the European Communities.

332. Singapore's Trade Development Board is in charge of allocating the export quotas among manufacturers. Under the present scheme, 75 per cent of the quota amounts are distributed according to the companies' export performance in the preceding year. The rest is allocated through a tender system. It was introduced in 1987 with the aim of enhancing industrial flexibility and furthering competition. All successful bidders are charged the same premium, the lowest of the successful tender prices. For quotas allocated on the basis of past performance, quota holders are required to pay a fee which is calculated according to the lowest of the successful tender prices, subject to a maximum of 1/2 per cent of the previous year's average export price in each quota category. Quota entitlements are transferable; however, all transfers need to be registered with the TDB for future allocation purposes.

333. From 1 November 1989 to 31 October 1990, Singapore's manufacturers paid S$42 million for the quotas on tender, up from S$31 million in the preceding period. While the tender system has increased production costs, it is argued that it has a positive impact on production patterns as it

26 The agreements with the European Communities and the United States were concluded under MFA III, the other agreements under MFA IV (in July 1991, Sweden notified the unilateral elimination of all its bilateral textile restraint agreements). Singapore's agreement with the United States, covering around 600 textiles and clothing items, was recently extended until December 1995. Negotiations on a one-year extension of the agreement with the EC (7 items under quota) due to expire in December 1991, are currently underway. The agreement with Canada, covering 11 items, expires in December 1992. The bilateral agreement with Norway (4 items) is due to end in 1991.
induces manufacturers to move upmarket and to focus on high valued-added segments.  

Chart V.2
Value and direction of Singapore’s textiles and clothing exports (MFA products), 1980-90
US $ million and per cent

Textile exports

Clothing exports

Source: UNSO Comtrade data base and GATT Secretariat.

27 Textile Asia, December 1990.
334. The chemicals industry accounts for 7¼ per cent of Singapore's total manufacturing value added. Capital-intensity and productivity (value added per worker) are far above the industry average (Table V.9).

335. The expansion of the industry over the 1980s is reflected in an increased participation in international trade. In 1990, it accounted for over 6 per cent (S$5,970 million) of Singapore's merchandise exports, up from 3¼ per cent a decade before. Chemical imports, mainly comprising intermediate or semi-processed products, represented 7½ per cent (S$8,440 million) of merchandise imports in 1990.

336. Almost all imports enter duty free, except for six items that are under specific tariffs (certain hydrocarbons and sweeteners) and articles of plastic (two tariff items) on which a 5 per cent ad valorem tariff is imposed.

337. A variety of products - poisons and other dangerous chemicals, pharmaceuticals, etc. - is subject to strict health and safety regulations (Table AV.2).

338. All pharmaceuticals destined for sale in Singapore must be registered and licensed by the Ministry of Health. Applications are evaluated, on the basis of the documents submitted, by a panel of experts. The panel also decides on any prescription requirements. According to the Singapore authorities, the relevant criteria for admittance are in line with those by the United States Federal Drug Administration and by the British Health Authorities. Foreign test documents are in principle accepted if the tests had been conducted by officially recognised manufacturers. The Singapore authorities however carry out own random checks. The product must be safe; there are no additional requirements, for example, with respect to medical efficiency or sales prices. Also, no regulations exist as to the range and quantity of products to be kept in reserve by pharmacies.

339. Between July 1987 and August 1991, some 7,000 applications for registration have been filed. Of these, about 6,000 concerned imports. Acceptance rates were in the order of 93 per cent, both for imports and local products. According to the Singapore authorities, decisions are normally taken within three to six months from the date of application.

340. There are no registration requirements for veterinary medicines and medical appliances. Cosmetics are also free of product-specific provisions affecting their admittance for sale, except that they must not contain lead. Public advertisement and sales promotion for pharmaceuticals are subject to approval by the Ministry of Health.
341. Importers and domestic producers of pharmaceuticals containing poisons are required to have a poisons licence. The relevant substances are specified in a poisons list under the Poisons Act.

342. Importing and selling dangerous chemicals is subject to licensing requirements; all sales must be notified.

(v) **Non-electrical and electrical machinery and apparatus**

(a) Electronic products and telecommunications

343. Within manufacturing, the electronic products sector is by far the most important, representing 35½ per cent of total manufacturing value added in 1988. Most of the world's leading electronic companies have factories in Singapore. Main product categories range from integrated circuits to printed circuit boards, electronic components, computers, disk-drives, printers, key-boards, television receivers and telecommunications equipment. In 1990, the industry's output expanded by 13 per cent, driven by the disk drive and computer peripherals segments.

344. The electronics sector may be considered a pacemaker in advancing labour skills and technical know-how in Singapore's industry. In 1989, it accounted for nearly 90 per cent of total private expenditure on research and development. Value added per worker is slightly above the average of manufacturing industries (Tables V.9 and AV.3).

345. Close to 90 per cent of Singapore's production of electronic products and components is destined for foreign markets, mainly the United States, Japan and the European Communities. The electronics industry thus displayed the highest exports-to-production ratio among all segments of manufacturing (Table V.9). Export orientation has resulted in a certain vulnerability to foreign trade measures. At present, deliveries of colour television tubes to the United States are subject to anti-dumping duties. For the best part of the past two decades, Singapore's exports of colour TV sets to the United Kingdom were restrained under an industry-to-industry

28 The applicant must have an approved store site and the means to dispose of waste in a safe way.

29 Based on the Census of Industrial Production. The census covers manufacturing activities, including research and development activities carried out on the same premises as manufacturing activities. However, it does not cover R&D centres.
arrangement with UK producers; it appears to have expired. Also, Singapore was temporarily effected by restrictive import procedures on the part of France which allowed certain electronic products (video cassette recorders) to enter only through one relatively small and remote customs checkpoint, Poitier.

346. Singapore industry representatives gave the view that existing standard-related import barriers into the United States were particularly difficult to overcome. Reportedly, rather than establishing comprehensive standards and marking requirements for the final product as such, many individual components have been made subject to such requirements. This entailed the risk that even minor marking defects could give rise to sales and/or import prohibitions. As regards the EC, the concerns expressed mainly related to costs and frictions resulting from member State-specific standards and approval procedures. However, it was acknowledged that changes were underway in the context of the Communities' Single Market Programme.

347. Industry representatives also felt that assembled electronic products were particularly vulnerable to defensive trade policy actions, under whichever guise, by importing countries. In response, many companies focused increasingly on producing components. Since product cycles in these areas are often short, this shift in focus was also considered to be commensurate with one of the industry's particular advantages, its capability to adjust quickly to market trends and new technological challenges.

348. Singapore's highly developed telecommunications system testifies to and provides a basis for the country's outward-oriented business and policy strategies. The system is said to be one of the best in Asia.

349. A statutory board, the Telecommunication Authority of Singapore (Singapore Telecom), operates the basic telecommunications network services and all installations for satellite transmission. Since July 1989, private companies have been allowed to provide value added telecommunications services, subject to approval by Singapore Telecom.

350. Access to the market for terminal equipment is unrestricted. Singapore Telecom however participates with an own subsidiary.


31 According to Toh Mun Heng and Linda Low (1990), "Towards greater Competition in Singapore's Telecommunications", Telecommunications Policy, August 1990.
351. In general, telecommunication charges appear to be very competitive internationally, thus adding to the country's attractiveness as a centre of foreign investment and trade. Leased circuit and telex rates are reported to be the lowest in the world. Nevertheless, reflecting its efficiency and/or the particular advantage of operating in a densely populated metropolitan area, Singapore Telecom ranks among the most profitable statutory boards. Its net revenue totalled S$1,086 million in 1990/91.

352. Singapore Telecom is in charge of a considerable array of operating and regulatory functions, including setting standards and performing type approvals. In 1990, of the 260 filed applications for line terminal equipment 6.7 per cent were rejected. The average approval cost was S$360 and the average time for processing applications was 5 weeks. In the case of radio communications, all 219 applications were accepted; approval cost averaged S$1,000 and the processing delay 6 weeks.

(b) Electrical machinery and appliances

353. The electrical industry is closely linked, through its supplies of parts and components, with Singapore's electronics production. In 1988, the industry accounted for 4.4 per cent (S$783 million) of total manufacturing value added. A recent decline in output (minus 7.3 per cent in 1990) mainly reflects reduced United States demand for electrical motors, transformers, switches and appliances.

354. Exports of microwave ovens to Canada are currently subject to anti-dumping duties; refrigerator compressors to the United States are under countervailing duties.

355. In 1990, imports of electrical machines and apparatus reached US$9.5 billion, accounting for 20 per cent of Singapore's total merchandise imports (Table V.8). All items enter duty free, except for plates for electric accumulators and electric filaments which are both subject to ad valorem rates of 5 per cent.

(c) Non-electrical machinery

356. Singapore's exports of non-electrical machinery have steadily increased during the 1980s, from S$2.7 billion in 1980 to S$23.1 billion in 1990. In 1990, they accounted for almost one-quarter of total merchandise

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exports. Deliveries of machine tools to the United States are subject to anti-dumping duties.

357. All items in this sector enter duty-free into Singapore (Table AV.2).

(vi) Transport equipment

358. Singapore's current activities in the transport equipment sector mainly comprise the production of aircraft components, ship repairs and shipbuilding. Economic performance in recent years was considerably above the industrial average, with growth rates (value added) of over 20 per cent in 1988 and 1989 and close to 9 per cent in 1990.

(a) Aerospace industry

359. The emergence of the Singapore aerospace industry in the 1970s is closely linked to the country's rapid growth as an air traffic centre and the ensuing demand for aircraft repair and maintenance. At that time, the Government identified aerospace as a priority industry deserving special support. However, it was not until the early 1980s that industrial growth picked up. The conclusion of an Airworthiness Agreement with the United States and, thus, the improved acceptance of Singapore-built aircraft components appears to have been particularly conducive.33

360. The Singapore Government continues to aim at developing the country as a "one-stop" hub centre for the comprehensive repair, overhaul and refurbishment for aircraft in the Asia-Pacific region, to attract headquarters services for the regional market and to further expand the domestic production base for the expanding high value-added production of aircraft components. To support the rapid growth of the aviation industry, the Singapore Government is currently developing an industrial estate (50.3 ha) that would cater to the runway dependent needs of industry.

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33 The Agreement opened up new markets for Singapore firms and helped to cut costs as Singapore-made components no longer had to undergo additional tests when exported to the United States. This was of particular importance to one of Singapore's biggest firms, a subsidiary of a United States-based company, that produced vital components (constant speed drives) for the electrical generation system of modern jet aircraft.

Markets in the Asia-Pacific region account for no more than 10 per cent of Singapore's direct exports in the sector.
(b) Motor vehicles

361. In 1990, Singapore imported motor vehicles worth US$1,485 million, as against US$1,128 million one year earlier. Most car categories are subject to tariffs of 45 per cent; motorcycles are dutiable at 15 per cent (Table AV.2). More than 540,000 motor vehicles are currently registered in Singapore, up from 370,000 in 1980.

362. The tariff régime in this sector appears to have initially been geared at supporting local assembly operations. Between 1966 and 1972, duty rates on cars were raised from 10 per cent to their current level. However, they proved ineffective as a protective device. For more than one decade, there has been no domestic car production or assembly operation in Singapore. 34 Today's production activities related to motor vehicles mainly comprise electronic components, for example, for the control and management of engines, for international car manufacturers.

363. Current policies towards the land transport sector are intended to contain traffic congestion by discouraging the possession and/or use of motor vehicles. A multi-layered and rather complex system of charges, fees and other disincentives is in place (Annex V.1). As a common feature, most measures - including import duties, registration fees, licence fees and road taxes - are price-related. Total payments prior to car registration add up to an estimated S$30,000 on a new S$15,000-passenger car (import price, before taxes and duties).

364. An Area Licensing Scheme exists to curb traffic peaks in the Central Business District at times of congestion (peak-load pricing). Access of vehicles to the city centre during morning and evening peak hours is subject to an "Area Licence Fee" of S$3 per day or S$60 per month (company-owned cars are charged twice this rate). 35 Cars destined only for use during weekends (after 3 p.m. on Saturdays), public holidays and night hours (between 7 p.m. and 7 a.m.) undergo a separate, cheaper registration procedure. At present, some 3,000 "weekend cars" are registered.

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34 Singapore's motor vehicle industry had exclusively been engaged in assembling passenger cars, buses, trucks and motorcycles, and producing certain parts and accessories. During the 1970s, the industry consisted of one long-established foreign-owned company, two medium-size and eight small local assembly plants. All operations had ceased by the end of the 1970s.

35 The fee also applies to taxis. Motorcycles are charged S$1 per day or S$20 per month.
365. Since 1 May 1990, all vehicle registrations are subject to a newly devised "Certificate of Entitlement". Fixed quotas of these certificates, for eight motor vehicle categories, are allocated monthly by public tender.\(^{36}\) The same quota premium applies to all successful bidders in the same category, this being the lowest successful bid price in the category. The tender system apparently contributes to making transparent the costs involved in owning and using cars under prevailing land- and environment-related constraints, as well as collecting the associated "rents". According to the authorities of Singapore, the growth of the vehicle population can be managed by fixing the quota of the certificates for new vehicle registrations.

366. Several elements of the current system encourage the replacement of old vehicles. For example, a rebate is given on the Additional Registration Fee charged for the registration of a new car to replace another which must be scrapped or exported, and the above Certificate of Entitlement expires and must be renewed after ten years. The road tax increases progressively once the vehicle is older than ten years to reach a maximum of 150 per cent in the fourteenth year. Singapore's car stock thus tends to be younger than technical considerations alone would suggest.

367. Moreover, a mandatory vehicle inspection scheme requires all cars more than three years but less than ten years of age to undergo, every 24 months, a roadworthiness inspection. Older cars are subject to annual inspection. As from 1 July 1992, all new petrol-driven vehicles must comply with the international emission standards (ECE 83 and JIS 78) before the vehicles can be registered for use.

368. Singapore's petrol taxes are two-tiered; current rates on premium unleaded fuel amount to S$0.60 per litre (or 48 per cent of the pump price, if higher) as against S$0.75 on premium leaded fuel (or 48 per cent of the pump price plus S$0.78). In order to prevent evasion, car tanks must be filled at least to three-quaters when crossing the border to Malaysia.\(^{37}\)

369. New vehicle registrations and renewals of the vehicle licence are subject to the presentation of an insurance policy against third party risks in respect of death and personal injury. The insurance must cover

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\(^{36}\)With the introduction of this scheme, the additional registration fee for motorcars was reduced progressively from 175 per cent of the open market value to its current level of 150 per cent (for details see Annex V.1).

\(^{37}\)In Malaysia, the tax on unleaded petrol currently amounts to M$0.206 per litre which is about S$0.13.
third party claims as well as those of passengers for the period of the vehicle licence (six or twelve months; Annex V.1).

(vii) **Other manufactured articles**

370. Singapore imports a wide range of products under this heterogeneous category. They include ores and metals (8 per cent of total imports in 1989), musical instruments; sound recording or reproduction apparatus; professional, scientific and controlling instruments; photographic apparatus; and clocks and watches (Table V.8). The vast majority of items enters duty-free on an m.f.n. basis. Ad valorem tariffs apply to certain raw hides and skins; leather and furskins (manufactured articles); precious stones and precious metals; footwear and travel goods; furniture; and office and stationery supplies (Table AV.2).

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38 In 1990, 236 persons have been reported killed and 6,667 injured in road accidents in Singapore as compared with 259 and 11,756, respectively, in 1980.
Annex V.1
Duties, taxes and fees affecting motor vehicles

Registration, possession and use of motor vehicles are subject to the following system of ad valorem and/or specific duties, taxes and fees. All ad valorem rates are based on the Open Market Value (OMV) of the vehicle as assessed by the Customs and Excise Department. The OMV includes the manufacturer’s price as well as freight, insurance and other charges incurred in importing into Singapore.

1. Import duty:
   0 on trucks;
   15 per cent on motorcycles;
   20 per cent on taxis;
   0 or 45 per cent on buses (depending on seating capacity); and
   45 per cent on private cars and hire cars.

2. Registration fee:
   $5 on motorcycles;
   $15 on taxis, buses and heavy trucks;
   $1,000 on private cars and hire cars;
   $5,000 on company cars; and
   $7,000 on light trucks (whose maximum laden weight is less than 3 tonnes).

3. Additional registration fee:
   5 per cent on trucks;
   Various rates on buses depending on use, capacity and age;
   $2,000 on new taxis (various rates on replacements); and
   150 per cent on private cars and hire cars (replacements for cars scrapped or exported before reaching ten years of age are eligible for rebates).

4. Certificate of Entitlement:
   Quotas of the certificate, needed for vehicle registration, are allocated by public tender on a monthly basis (for eight vehicle categories). The certificate is valid for ten years, it can be renewed for an additional ten-year period. Prices for renewals are established as a moving average of the quota premiums for new vehicles over the past 12 months.
5. Road tax:
   Various rates on motorcycles, depending on engine capacity:
   S$0.70 to S$1.75 per cc on private cars and hire cars, scaled
   according to total engine capacity (double rates for company
cars);
   S$300 to S$4,000 on trucks, depending on laden weight and type
   of engine (petrol or diesel);
   S$1,100 on taxis (plus an additional S$6,600 on diesel
   engines); and
   S$200 to S$5,500 on buses, depending on seating capacity, type
   of engine and use (school bus, private bus, hire bus, excursion
   bus or scheduled bus).

6. Surcharge on the road tax on old vehicles:
   An additional 10 per cent of the regular road tax is raised on
   all vehicles after their tenth year of age. The surcharge
   increases progressively by further annual steps of 10 per cent
   up to a maximum of 150 per cent.

7. Petrol tax:
   Premium unleaded fuel: S$0.60 per litre or, if higher,
   48 per cent of the pump price;
   Premium leaded fuel: S$0.75 per litre or, if higher,
   48 per cent of the pump price plus S$0.78.

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1 Upon payment of the road tax, the vehicle licence is issued. It entitles the owner to
use the vehicle for a 6 or 12 month period. The rates given above are the annual rates.
VI. TRADE DISPUTES AND CONSULTATIONS

371. Singapore has no statutory domestic procedures for conducting consultations or negotiations with trading partners in case of trade disputes. Although GATT dispute settlement procedures may be used for settling disputes in international trade, Singapore has never had recourse to them.

372. Issues which may give rise to trade disputes are initially discussed bilaterally with trading partners. According to the Singapore authorities, one reason why the country has not used GATT procedures is that many trade problems, when they have arisen, have been solved within the context of bilateral, regional and other international discussions. Singapore's stated preference, as a trade-dependent small country, is to rely on a multilateral approach based on a strengthened GATT dispute settlement mechanism. All other avenues are regarded as second-best.

(1) GATT Dispute-Settlement

373. Singapore has never been involved, as a defendant or complainant, in any GATT dispute settlement procedure under GATT (Article XXII or XXIII) or the Tokyo Round Agreements.

(2) Other Disputes

374. The Secretariat is not aware of any formal trade dispute involving Singapore outside the GATT framework.

375. Singapore may conduct consultations on various trade problems with its ASEAN and ASEAN-Discussion partners.

376. The ASEAN Committee on Trade and Tourism is authorized to review and supervise the implementation of preferential trading agreements. Disputes relating to the implementation of the agreement may be referred to the Committee, which shall consult with the parties concerned and arrive at a mutually acceptable solution. No trade dispute cases involving Singapore were reported under this framework.

377. In the GATT Council meeting of 2 February 1988, Singapore raised the issue of the United States' removal of Singapore from the Generalized

\[1\] Depending on the circumstances, a member State may temporarily suspend the application of a concession until a mutually satisfactory solution has been reached. The other ASEAN members must be given 30 days prior notification of such action being taken.
System of Preferences (GSP) Scheme. At that meeting the Government of Singapore expressed its disappointment with the decision of the United States administration to "graduate" Singapore from its GSP Scheme with effect from January 1989.

2 Singapore noted that in January 1987, the United States had affirmed Singapore's GSP status and had provided a favourable package of GSP benefits effective July 1987. This had been in recognition of Singapore's responsiveness to the US Government and business concerns with regard to the protection of US intellectual property, as well as Singapore's "clean record of free and fair trade". Therefore, the 1988 United States decision was not understood by the authorities of Singapore.