2000 Country Reports on Economic Policy and Trade Practices
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SINGAPORE

Key Economic Indicators
(Millions of U.S. dollars unless otherwise indicated)

	1998	1999	2000 1/
Income, Production and Employment:			
Nominal GDP 2/	82,951	85,196	104,426
Real GDP Growth (pct) 2/	0.4	5.4	9.0
GDP by Sector: 2/			
Agriculture 3/	0	0	0
Manufacturing	19,133.5	22,049.7	27,150.8
Services	55,334.7	57,355.0	69,965.6
Government expenditure	8292.2	8264.4	10,129.3
Per Capita GDP (US$)	26,221.4	26,478.9	32,001.2
Labor Force (000s)	1,931.8	1,976.0	2,035.3
Unemployment Rate (pct)	3.2	3.5	3.5
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	30.2	8.5	2.9
Consumer Price Inflation (pct)	-0.3	0.4	2.0
Exchange Rate (SGD/US$ annual average)	1.67	1.69	1.72
Balance of Payments and Trade:			
Total Exports FOB	110,037.7	114,964.5	139,617.7
Exports to U.S. CIF 4/	21,859.7	22,020.6	23,064.5
Total Imports CIF	101,714.7	111,326.4	134,980.7
Imports from U.S. FAS 4/	18,714.4	18,960.9	19,636.3
Trade Balance	8,323.1	3,638.1	4,637.0
Trade Balance with U.S. 4/	3,154.3	3,059.6	3,428.3
External Public Debt	0	0	0
Fiscal Surplus/GDP (pct)	0.7	1.9	1.5
Current Account Surplus/GDP (pct)	25.4	25.0	25.0
Debt Service Payments/GDP (pct)	0	0	0
Gold and Foreign Exchange Reserves	73,994.2	75,243.2	77,183.8
Aid from U.S.	0	0	0
Aid from Other Sources	0	0	0

Note: All percentage changes are calculated based on the local currency.

1/ 2000 figures are projections based on most recent data available.

2/ Singapore introduced a methodology to include offshore stockbroking, investment advisory and insurance services in the output of the financial services industry, resulting in changes to the GDP and growth figures computed in previous years. GDP data has also been re-grouped into eleven industries from the eight previously.

3/ Includes the agriculture, fishing and quarrying industries.

4/ Trade data was taken from the U.S. Department of Commerce instead of Singaporean government sources.

1. General Policy Framework

Singapore’s open-trade economic policies have enabled it to overcome land, labor and resource constraints to become the world's second most competitive economy (according to the World Economic Forum's 2000 ranking). It has also helped Singapore achieve the world's fifth highest per capita income, based on the World Bank's 1999/2000 ranking of per capita GNP in purchasing power parity terms. Singapore is a founding member of the World Trade Organization (WTO), the Asia Pacific Economic Cooperation (APEC) Forum, and the Association of Southeast Asian Nations (ASEAN).

Internally, while Singapore has a largely free-market business environment, government-linked companies (GLCs) account for some 60 percent of GDP. The GLCs generally operate as commercial entities and frequently include private local and foreign equity. Many are publicly listed.

Manufacturing, dominated by electronics, chemicals (including oil refining) and information technology-related products, accounted for 24 percent of total GDP in 1999. Multinational companies accounted for 75 percent of new manufacturing investment, which totaled US$4.7 billion in 1999. Wholesale and retail trade represented 14 percent of GDP in 1999, reflecting Singapore’s key role as a regional gateway. Financial services, which accounted for 13 percent of GDP in 1999, is the third largest economic sector. Trade was 2.7 times GDP in 1999; re-exports (transshipments) accounted for 36 percent of total merchandise exports.

The government pursues conservative fiscal policies designed to encourage high levels of savings and investment, but invests heavily in the country's social and physical infrastructure, including education and transportation. It also provides subsidies for public housing. The government generally runs a budget surplus (US$1.7 billion in Singapore Fiscal Year [SFY] 1999). The Central Provident Fund (CPF), a compulsory savings program that requires 22 percent of an individual's salary to be placed in a tax-exempt account, is the principal reason for the high gross national savings rate of over 60 percent of GDP.

There are virtually no controls on capital movements. The key objective of the Monetary Authority of Singapore (MAS), the country's central bank, is to maintain price stability. It does so largely through exchange rate policy. MAS also engages in limited money-market operations to influence interest rates and ensure adequate liquidity in the banking system. Inflation has averaged two percent, annually, over the last 10 years, except for 1998 when there was deflation of 0.3 percent due to the economic recession. Since the economic recovery, price levels have been rising with the CPI expected to increase by two percent in 2000. The average prime lending rate among the leading banks is currently at 5.9 percent, after peaking at about 7.8 percent in mid-1998.

The United States is Singapore's largest trading partner, accounting for 16 percent of Singapore's total trade in 1999. U.S. exports to Singapore amounted to US$16.2 billion in 1999, while Singapore's exports to the United States totaled US$18.2 billion. Singapore was the tenth largest export market for the United States in 1999. Over 1,300 U.S. companies have facilities in Singapore, with total investments of US$24.8 billion in 1999. In December 2000, Singapore began negotiations for a bilateral free trade agreement with the United States.

2. Exchange Rate Policy

Singapore has no exchange rate controls and exchange rates are determined freely by market forces. At the same time, the MAS uses currency swaps and direct open market operations to keep the Singapore dollar within an undisclosed desired range relative to an undisclosed basket of currencies of the country's major trading partners. The government imposes certain restrictions to limit the internationalization of the Singapore dollar. It opened up the Singapore dollar debt market to foreign companies and financial institutions, on condition that the funds are converted to foreign exchange prior to use abroad.

The Singapore dollar depreciated by as much as 20 percent against the U.S. dollar between July 1997 and August 1998, but appreciated vis-à-vis major regional currencies and maintained its trade-weighted exchange rate. Since then, the Singapore currency has recovered slightly against the U.S. dollar, in tandem with the economic rebound, and is forecast to post an average exchange rate for 2000 of about SGD 1.71 to SGD 1.72 per U.S. dollar.

3. Structural Policies

Market forces generally determine product prices. The government conducts its bids by open tender and encourages price competition throughout the economy.

Singapore's personal income tax rates range from 2 percent for the lowest income bracket to 28 percent for those earning annual incomes exceeding SGD 400,000 (about US$240,000). The government lowered the corporate income tax rate from 26 percent to 25.5 percent this year. Foreign firms are taxed at the same rate as local firms. There is no tax on capital gains except on residential properties that are sold within three years. The government implemented a three percent value-added Goods and Services Tax (GST) in 1994.

Investment policies are open, transparent, and tailored to attract foreign investment and ensure an environment conducive to efficient business operations. Although the government vigorously develops and implements industrial policies, it does not impose production standards, require purchases from local sources, or specify a percentage of output for export. To catalyze Singapore's advancement into a knowledge-based economy and an international financial center, the government is working to attract foreign professionals to live and work in Singapore.

4. Debt Management Policies

Singapore has no external public debt. The country's total foreign reserves amounted to US$77.2 billion as of end-1999, sufficient to cover 8.2 months of imports. Singapore does not receive financial assistance from foreign governments.

5. Significant Barriers to U.S. Exports

Approximately 96 percent of imports are duty-free. Tariffs are primarily levied on cigarettes and alcohol to restrict their consumption. Excise taxes are levied on petroleum products and motor vehicles to restrict motor vehicle use. Import licenses are not required; customs procedures are minimal and designed to facilitate trade; and the standards code is reasonable. All major government procurements are by international tender. Singapore is a signatory to the WTO Government Procurement Agreement.

While welcoming foreign investment in most areas, important barriers to U.S. service providers have existed in some sectors, particularly in finance, telecommunications, legal services and power generation and distribution. However, the government has embarked on a major liberalization effort to reduce or remove these barriers.

As part of its strategy to become an international financial center, the Monetary Authority of Singapore (MAS) has liberalized domestic restrictions on foreign financial services providers. In May 1999 MAS removed the 40 percent ceiling on foreign ownership of local banks, and in late 1999 it opened up the local securities market to foreign brokers. In October 1999 MAS issued a "qualifying full bank" (QFB) license to four new foreign banks, allowing each of them to establish up to ten retail locations (branches or ATMs). MAS also issued eight additional restricted bank licenses. These measures expand the capability of foreign banks to engage in local retail banking; foreign banks currently hold 23 of the 35 full (local retail) banking licenses. However, foreign banks cannot use Automated Teller Machines (ATM) beyond those located at their premises and ATM networks remain restricted to local banks. Customers of foreign banks are thus unable to access their accounts except through ATMs owned by their bank, a significant barrier given government efforts to encourage electronic payments and use of “smart” cards.

The telecommunications sector was opened to full competition on April 1, 2000, two years ahead of schedule. Restrictions on the provision of value-added network services have been lifted, although the government bans the importation of satellite receivers. The government is in the process of opening the power generation and supply sectors to competition. The electricity and gas distribution network will become a regulated monopoly operated by a corporatized-government entity.

The government has moved tentatively to open the legal services market. In August 2000 the government approved licenses for seven foreign law firms to form joint ventures with local firms to offer legal services relating to international and cross-border financial, banking, Internet and corporate cases. However, foreign lawyers are still not allowed to represent their clients in local courts, undertake litigation and conveyancing work, or to engage in other fields of law.

In May 2000 the government passed legislation easing the ban on direct selling and multi-level marketing arrangements. The Ministry of Trade and Industry has issued guidelines for the type of arrangements that will be permitted. However, the legislation makes any recruitment-connected revenue illegal, and officials have stressed that earnings must come from the sale of goods, not recruitment.

6. Export Subsidies Policies

Singapore does not directly subsidize exports. The government offers significant incentives to attract foreign investment, with most incentives directed at export-oriented industries. It also offers tax incentives to exporters and reimburses firms for certain costs incurred in trade promotion. It does not employ multiple exchange rates, preferential financing schemes, import cost-reduction measures or other trade-distorting policy tools.

7. Protection of U.S. Intellectual Property

Singapore has been on the USTR's Special 301 Watch List since 1997, due to inadequate protection of intellectual property (IP) rights. Overall piracy levels, while among the lowest in Asia, remain double those in the United States. A primary problem has been retail piracy of computer software, music, and films. Singapore is a signatory to the Bern Convention, the Paris Convention, the Patent Co-operation Treaty, and the Budapest Treaty. Singapore is also a party to the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS). Singapore has not acceded to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, although aspects of the treaties have been incorporated into local law.

Singapore has enacted a series of laws and amendments to existing provisions intended to bring the country into compliance with its TRIPS obligations. These measures included numerous amendments to its Copyright Law (1998 and 1999) and the Medicines Act (1998), as well as a new Trade Marks Act (1998), Geographical Indications Act and Layout Designs of Integrated Circuits Act (1999), and Registered Designs Act (2000). Singapore government officials state that the country's legal framework intellectual property (IP) rights now goes beyond the country's TRIPS obligations.

In addition to crafting new laws, the government has taken more aggressive and sustained action to improve IP enforcement. Licensing requirements for optical disc (OD) manufacturing and import controls on OD manufacturing equipment came into force in late 1998 and are generally believed to have effectively eliminated the production of pirated optical discs in Singapore. A new IP unit in the Singapore Police Criminal Investigation Division has made progress in targeting retail pirates and criminal syndicates. According to government officials, there were over 2,000 raids against retail pirates in 1999. Since mid-July 2000, the most notorious shopping center for retail piracy has been free of pirated works, as a result of sustained enforcement action, and the police have raided several night markets selling pirated goods. Finally, the government has intensified a long-term campaign aimed at educating primary and secondary students as well as the general public on the IP issue.

In October 1999 a number of U.S. publishers, in cooperation with European and local publishers, formed the Copyright Licensing and Administration Society of Singapore (CLASS) to utilize a provision of the Copyright Act to compel local universities and other educational institutions to pay royalty fees in exchange for the right to duplicate copyrighted printed works for use in course materials.

However, problems remain. The government has appeared unwilling to discard the "self-help" approach that forces industry groups to conduct raids on their own, even though the new police unit represents an important step away from this approach. Significant remaining problems include retail piracy at itinerant street markets, end-use piracy of computer software, widespread piracy of computer entertainment software, and the unauthorized copying of books. The lack of criminal penalties for end-use piracy of software hampers effective enforcement. Copyright industry groups contend that August 1999 amendments extending copyright protection to the Internet and certain digital works contain gaps and omissions which present a serious problem for copyright protection. Actions to improve responsiveness to information sharing requests from U.S. enforcement agencies would also facilitate efforts to address effectively transnational IP crimes.

According to the International Intellectual Property Alliance (IIPA), total losses from local IP piracy were estimated at about US$115 million in 1999, down from US$139 million in 1998. For business application software, IIPA estimated 1999 losses at nearly US$50 million with a 51 percent level of piracy, down from 1998. For computer entertainment software, it estimated US$52 million in losses and a 65 percent piracy rate in 1999, also down from 1998. IIPA calculated that the motion picture industry lost US$8 million due to a 25 percent piracy level in 1999, level with losses in 1998. The music industry was reported to have suffered losses of US$2 million and a 20 percent piracy rate in 1999. The American Association of Publishers estimated that publishers lost US$2 million to piracy of printed works in 1999.

8. Worker Rights

a. *The Right of Association*: The Singapore Constitution gives all citizens the right to form associations, including trade unions. Parliament may, however, impose restrictions due to security, public order, or morality considerations. The right of association is delimited by the Societies Act, and labor and education laws and regulations.

Singapore's labor force numbered two million in 1999, of which 290,000 or about 15 percent were organized into 76 trade unions. Sixty-nine of these unions are affiliated with an umbrella organization, the National Trades Union Congress (NTUC), which has a symbiotic relationship with the government.

b. *The Right to Organize and Bargain Collectively*: Collective bargaining is a normal part of labor-management relations in Singapore, particularly in the manufacturing sector. Collective bargaining agreements are renewed every two to three years, although wage increases are negotiated annually.

c. *Prohibition of Forced or Compulsory Labor*: Singapore law prohibits forced or compulsory labor. Under sections of the Destitute Persons Act, however, any indigent person may be required to reside in a welfare home and engage in suitable work.

d. *Minimum Age for Employment of Children*: The government enforces the Employment Act, which prohibits the employment of children under 12 years of age and restricts children under 17 from certain categories of work.

e. *Acceptable Conditions of Work*: The Singapore labor market offers relatively high wage rates and working conditions consistent with international standards. However, Singapore has no minimum wage or unemployment benefits. The government's enforcement of comprehensive occupational safety and health laws, coupled with the promotion of educational and training programs, have reduced the frequency and severity of industrial accidents during the last decade.

f. *Rights in Sectors with U.S. Investment*: U.S. firms have substantial investments in several industries, notably petroleum, chemicals and related products, electronic and electronics equipment, transportation equipment, and other manufacturing areas. Labor conditions in these sectors are the same as in other sectors of the economy.

Extent of U.S. Investment in Selected Industries—U.S. Direct Investment Position Abroad on an Historical Cost Basis—1999

(Millions of U.S. dollars)

Category		Amount
Petroleum		2,815
Total Manufacturing		11,367
Food & Kindred Products	-4	
Chemicals & Allied Products	628	
Primary & Fabricated Metals	23	
Industrial Machinery and Equipment	5,280	
Electric & Electronic Equipment	4,637	
Transportation Equipment	230	
Other Manufacturing	573	
Wholesale Trade		1,354
Banking		532
Finance/Insurance/Real Estate		8,103
Services		519
Other Industries		91
TOTAL ALL INDUSTRIES		24,781

Source: U.S. Department of Commerce, Bureau of Economic Analysis.