

# **Overview of Singapore's Trade Policy**

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經貿談判代表辦公室

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## **I. ECONOMIC ENVIRONMENT**

### **A. Introduction**

Singapore's economy, in terms of international trade and foreign investment remains one of the most open, and thus competitive, in the world. With a few exceptions, tariffs are zero, total merchandise trade is nearly four times GDP and inflows of foreign direct investment are substantial, at about one-sixth of GDP in 2007. Although its high degree of openness leaves Singapore vulnerable to periodic external shocks, the economy's flexibility has enabled it to adjust rapidly to these shocks by constantly improving productivity, and thus international competitiveness, which in turn contributes to economic growth and higher living standards.

Since 2004, Singapore's annual real GDP growth has averaged 7.9% and GDP per capita increased from US\$26,198 to US\$35,163 in 2007, underpinned by sound macroeconomic policies. Inflation has been low for the most part, averaging 1.3% annually; inflationary pressures, however, have risen since the second half of 2007, reflecting both domestic cost pressures and rising international prices, with the inflation rate hitting over 6% by early 2008. In response, the Monetary Authority of Singapore (MAS) tightened its monetary policy, allowing a significant appreciation of the Singapore currency in order to curb the cost of imported food and energy. Unemployment fell from 3.4% in 2004 to 2.1% in 2007, reflecting broad-based employment generation. National saving continued to exceed domestic investment by an average of 21% of GDP during the period under review, and the counterparts of the excess saving, which has been invested abroad, are persistently large current account surpluses. Singapore's official reserves reached nearly US\$163 billion in 2007, equivalent to about six months of imports of goods and services.

Although average incomes have risen, the incomes of some people have risen faster than those of others, reflecting higher wage increases for skilled and well-educated workers. Singaporeans have generally benefited from globalization, but some older and less educated workers remain vulnerable to structural unemployment as the economy restructures and manufacturing and services move up the value-added ladder.

Singapore's external competitiveness has been tested by the rise of lower-cost economies in the region, notably China and India. Labour, capital, and total factor productivity growth held up relatively well during most of the review period, although there appears to have been a marked slowdown in 2007. Singapore has continued to undertake structural reforms, focusing on lowering costs, increasing wage and labour market flexibility, further liberalizing the banking, telecom and utility sectors.

Singapore is also negotiating several trade and investment agreements with major trading partners. To lower business costs, the Government has progressively reduced the corporate tax rate to 18% and the top rate of personal income tax to 20%, and will keep taxes low to attract investment and talent and reward enterprise. Cuts in income taxes have been offset by a rise in 2007 in the goods and services tax (GST) from 5% to 7%, reflecting a continuing shift to indirect from direct taxes.

The longer-run challenge of moving Singapore into higher-value-added manufacturing and services is being addressed principally through incentives to attract investment in targeted areas, through further regulatory reform and through investment in infrastructure and R&D. By focusing on R&D and innovation, Singapore's development strategy has continued to shift from emphasis on using technology to creating it. Gross expenditure on R&D, mainly driven by the private sector, increased from 1.9% of GDP in 2000 to 2.4% in 2005 and is planned to increase to 3% by 2010.

## **B. Economic Performance**

In 2004-2007, Singapore achieved strong economic growth, and continued to liberalise its economy and improve its competitiveness, while maintaining prudent macroeconomic policies.

### ***1. GDP Growth.***

The Singapore economy is one of the fastest growing in Asia. Gross Domestic Product (GDP) in real terms grew by 8% per annum on average during 2004-2007, led by the financial services and manufacturing sectors. In 2007, the economy expanded by 7.7%.

### ***2. Sectoral Performance.***

Investments in manufacturing have been exceptionally strong in recent years. The manufacturing sector attracted S\$16.1 billion of investment commitments in 2007, nearly twice the S\$8.3 billion committed in 2004. These were mainly in the chemicals and electronics clusters. The stock of direct investment abroad by Singapore-based companies rose from S\$197 billion in 2005 to S\$210 billion in 2006.

The financial services sector has been a stellar performer in recent years, posting growth of 17% in 2007. The fund management industry in particular posted firm gains, reflecting in part growing investor interest in Asian equities and rising affluence in the region.

### ***3. Employment.***

The strong economy has supported robust employment growth. A total number of 596,000 jobs were created during 2004-2007. Total employment creation in 2007 was a record high of 235,000. The unemployment rate in 2007 was 2.1%, the lowest

level seen in a decade. Singapore was one of the few countries in the world which achieved effective full employment status last year.

#### ***4. Inflation.***

Rapid economic growth has been achieved against a backdrop of relative price stability. The consumer price index (CPI) has risen on average by 1.2% per annum during 2004-2007. However, CPI inflation began to pick up in the second half of 2007, bringing the average rate for the year to 2.1%. This has reflected a confluence of external and domestic factors. The escalation in global oil, food, and other commodity prices has fed into domestic prices of food and oil-related items. Domestic factors like the increase in the Goods and Services Tax also contributed to a once-off increase in the inflation rate.

### **C. Economic Policies and Reforms**

Besides a favourable external environment, sound economic policies and reforms in recent years have played an important role in Singapore's strong economic performance during the last four years. As an open economy, Singapore has not been spared the challenges of globalisation, namely strong competition from low-cost competitors, the transmission of external demand and price shocks into the domestic economy, and increasing wage dispersion and income inequality. Singapore's response has been to maintain a stable and conducive macroeconomic environment, transit to higher value activities and upgrade workers' skills, capitalise on opportunities in new growth industries, position the economy as a services hub, invest in research and development (R&D), restructure the social security system, and enhance incentive compatible social safety nets. These reforms have sharpened Singapore's competitive edge and positioned it well to face the challenges posed by globalisation and seize its opportunities.

Singapore remains one of the world's freest economies. It has been ranked the most globalised country in the world by Foreign Policy for the fourth time in seven years and the world's second freest economy by the Heritage Foundation for the thirteenth consecutive year.

Singapore has consistently ranked among the world's most competitive economies. Singapore was rated the world's second most competitive economy by the World Competitiveness Yearbook 2007 and the seventh most competitive economy by the Global Competitiveness Report 2007-2008. In Asia, Singapore remains the most competitive economy.

#### ***1. Fiscal Policy.***

The focus of fiscal policy has been on restructuring the tax system away from direct to indirect taxation, investing in economic infrastructure and R&D, and

enhancing expenditure in education, healthcare, and social support, while maintaining fiscal prudence and sustainability. The corporate income tax has been reduced from 22% in Financial Year (FY) 2004 to 18% in FY2007. The tax on goods and services has risen from 5% to 7%. The Government's overall budget balance during 2004-2007 was, on average, in surplus, at 0.84% of GDP. A surplus of S\$6.4 billion (2.7% of GDP) is expected for FY2007, reflecting healthy tax revenues on the back of a strong economy and property market.

## ***2. Monetary Policy.***

Monetary policy in Singapore is centred on the exchange rate. Given the small and open nature of Singapore's economy, the exchange rate exerts a stronger influence than interest rates on inflation and economic activity. Over the past few years, Singapore has adopted the policy of a modest and gradual appreciation of the Singapore dollar, which has helped to mitigate inflationary pressures. At the most recent monetary policy review in April, the exchange rate policy band was shifted upward to help moderate inflation, while providing support for sustainable growth in the economy.

## ***3. Economic Restructuring.***

Singapore continues to focus on developing higher value, knowledge-intensive industries, in order to maintain its edge as a leading hub for enterprise and innovation. With this move towards diverse and higher levels of innovation and technology, a key goal is to ensure that the workforce has the ability to support such activities. Good jobs increasingly tend to be knowledge-intensive, and one of Singapore's areas of focus going forward will be continuous education, training, and re-training – to equip skilled workers with new capabilities so that they can better adapt to changes to the economic landscape.

## ***4. New Growth Areas.***

The 2003 Economic Review Committee recommended remaking Singapore as a globalised, entrepreneurial, and diversified economy. Three new areas have been identified for the future: natural resources; new technology; and clean energy. The early signs are good. For example, international companies are investing in the set-up of a biodiesel plant and a silicon solar cell manufacturing plant. One of the world's largest manufacturers of wind turbines is slated to set up its Asia-Pacific HQ in Singapore.

## ***5. Services Hub.***

In services, Singapore aims to build on its existing strengths in financial and business services, transportation and logistics, and tourism. It is also positioning

itself as a hub for arbitration and philanthropy in Asia. Singapore is well-placed to be the location of choice for companies across the region seeking a convenient, impartial and neutral place for resolution of any commercial disputes arising from their cross border operations. Singapore is also positioning itself as a centre for multinational companies establishing charitable foundations and seeking to extend their philanthropic reach into Asia.

#### ***6. Research & Development.***

The current Science and Technology (S&T) Plan 2010 focuses on creating peaks of research excellence to support economic development, nurturing local talent, recruiting global talent, promoting more private sector R&D, and strengthening the linkages between R&D and industry. Its S\$7.5 billion budget includes S\$5.4 billion to our national research agency, Agency for Science, Technology and Research (A\*STAR) to drive public sector R&D, and S\$2.1 billion to the Economic Development Board to promote private sector R&D.

#### ***7. Central Provident Fund (CPF) Reforms.***

To help Singaporeans improve their retirement adequacy and work longer, key changes were introduced in 2007. First, to help Singaporeans work longer, there are plans to institute re-employment legislation by 2012, requiring employers to offer re-employment to workers so that they can work beyond the age of 62. Second, the CPF interest rate structure has been enhanced to improve the returns on savings so that retirement funds can build up at a faster rate. Third, the draw-down age for retirees will be gradually raised from 62 currently to 65 so that CPF savings can last longer. Younger workers 50 years old and below in 2007 will be required to take up a compulsory annuity programme called CPF LIFE so that their income can last for life. Older persons can opt to take part in the scheme if they wish.

#### ***8. Social Safety Nets.***

While Singaporeans have generally benefited from globalisation and strong economic growth, some have benefited more than others. To ensure that all segments of society continue to have the opportunity to succeed, Singapore has instituted a range of policies including re-training, skills upgrading, affordable healthcare and housing, and a wage supplement programme known as the Workfare Income Supplement. A good education system based on merit has also helped to facilitate social mobility and move families out of the poverty trap. Re-distributing fiscal surpluses to Singaporeans, with more going towards the elderly and the needy, has also helped to ameliorate the effects of wage dispersion.

### ***9. Ageing Population.***

Singapore is also preparing for challenges that are further out on the horizon, such as an ageing population. Singapore has one of the world's fastest ageing populations. By 2030, one in five residents will be 65 and above, from one in 12 today. Singapore's strategies to prepare for an ageing population are to enhance the employability and financial security of Singaporeans; provide holistic and affordable healthcare and eldercare; promote an active ageing lifestyle; and enable a conducive environment for ageing.

## **II. FRAMEWORK FOR TRADE AND INVESTMENT POLICY**

### **A. Introduction**

The main responsibility for trade policy formulation and implementation in Singapore remains with the Ministry of Trade and Industry (MTI), which deals with WTO issues and international trade negotiations, Singapore participates in the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) forum and also has bilateral trade and investment agreements with countries in various regions of the world. Singapore grants at least MFN treatment to all its trading partners. Singapore views the WTO as at the core of its trade policy strategy but also considers that trade liberalization efforts undertaken bilaterally and in regional fora can accelerate the momentum towards trade liberalization and thus form building blocks for the multilateral trading system.

Accordingly, since 2004, free-trade agreements (FTAs) with India, Jordan, Korea, Panama, and Brunei, Chile, and New Zealand (in the Trans-Pacific Strategic Economic Partnership Agreement) have entered into force, and Singapore is currently in FTA negotiations with Canada, China, Mexico, the Gulf Cooperation Council, Pakistan, and Ukraine. While Singapore has almost no applied tariffs, it has offered in the FTAs to negotiate preferential treatment for partners, ranging from binding all its tariff lines at zero, access to service industries in Singapore, mutual recognition of standards, enhanced investment protection disciplines, greater commitment to protect intellectual property rights, and elimination of anti-competitive practices.

Other notable developments include the enactment of an economy-wide competition law, which entered into effect in 2005 and the establishment in the same year of the Competition Commission of Singapore. Institutional transparency has been enhanced in significant ways. For example, since 2004 the consolidated group financial statements of Temasek Holdings, which owns and manages the Government's direct investments both locally and abroad, are published annually on the company's website; in addition, through improvements in e government, draft legislation or

guidelines are issued increasingly for public consultation, usually through the websites of Ministries and statutory boards.

## **B. Investment Policies**

Aided by its open FDI policies, Singapore has continued to evolve into a base for multinational companies to engage in high end manufacturing and product development, and to coordinate regional procurement, production, marketing, and distribution operations. In recognition of the important contribution of foreign investment to the development of the economy, the few restrictions on inward foreign investment are limited to broadcasting, the domestic news media, retail banking, legal and other professional services, and property ownership.

## **C. Trade Policies**

### *1. Objectives.*

Singapore's trade policy objective is to promote a free, open, and stable multilateral trading system. Without a sizeable domestic market, Singapore is by necessity outward oriented. In 2007, the trade to GDP ratio was 348%, the highest in the world. It is in Singapore's vital interest to advance the global trade and investment liberalisation agenda and ensure a strong rules-based multilateral trading system.

Singapore has benefited from the certainty and stability of the rules-based multilateral trading regime provided by the WTO which has brought greater predictability and security to the conduct of trade among nations. Singapore believes that the success of the global trading system depends on simultaneous efforts to pursue the maximum possible extent of liberalisation on the multilateral, regional and bilateral fronts.

### *2. Multilateral.*

Singapore's principal priority remains the WTO, and the Doha Development Agenda. The Doha Round has entered the final phase with the release of negotiating texts on Agriculture, Non-Agricultural Market Access (NAMA) and most recently Rules (anti-dumping and subsidies, including fisheries subsidies). There has been a qualitative change in the negotiating dynamics and Singapore has actively participated in the negotiations in all areas including NAMA, Services and Rules. Singapore has tabled proposals and made constructive suggestions on ways to move negotiations forward, and conclude a deal of high ambition.

### ***3. Regional.***

Singapore believes that regional and bilateral trade liberalisation efforts could be useful building blocks for multilateralism. The role that trade has played in driving Asia's economic development is evident. ASEAN's overall trade for instance more than tripled from about US\$430 billion in 1993 to US\$1.4 trillion in 2006 , in just over a decade. ASEAN is pursuing several economic integration initiatives to further enhance and facilitate trade in the region and with the world, and Singapore plays a key role in driving the process.

### ***4. ASEAN.***

A landmark development for ASEAN in 2007 was the signing of the Declaration on the ASEAN Economic Community (AEC) Blueprint by ASEAN Leaders, at the 13th ASEAN Summit held in Singapore. The goal of the AEC initiative is to realise by 2015, a single market and production base, with the free movement of goods, services, investment and skilled labour and the freer flow of capital in the region. The AEC Blueprint is a publicly available document detailing economic integration measures that ASEAN Member States are committed to implement, and the timelines they have to abide by. These measures include initiatives like the enhancement of ASEAN's trade in goods and investments agreements, commitments to progressively liberalise trade in services, development of an Intellectual Property Rights (IPR) action plan, and development of a workplan on Competition Policy. In parallel with pursuing internal integration, ASEAN is also working on deepening economic relations with its dialogue partners in the region. ASEAN is in various stages of FTA negotiations with China, Japan, Korea, India, the EU, and Australia and New Zealand. As part of the ASEAN regional grouping, Singapore also continues to be involved in these negotiations.

### ***5. APEC.***

Beyond ASEAN, Singapore participates actively at Asia-Pacific Economic Co operation (APEC) meetings, which is viewed as a key forum to promote free and open trade and investment in the Asia Pacific region. Under the Chairmanship of Australia in 2007 and Peru in 2008, APEC has continued to deepen regional economic integration and make progress toward the Bogor Goals of free and open trade and investment. In addition to tariff reduction and liberalisation at the borders, APEC members have also focused their attention on behind-the-border barriers to trade and investment across the region. Notably, Ministers have endorsed the second Trade Facilitation Action Plan (TFAP II), which sets out a framework and timetable for APEC economies to achieve a further reduction of 5% in trade transaction costs by 2010. In addition, almost all APEC economies are participating in the APEC Business Travel Card scheme, which

facilitates the movement of business travelers within APEC. Looking forward, Singapore, as host of APEC 2009, will seek to maintain the momentum on Regional Economic Integration in APEC.

## **6. *ASEM.***

The Asia Europe Meeting (ASEM) partnership structure is an important framework of cooperation uniting Europe and Asia. Singapore believes that ASEM has value as a platform for frank dialogue between Asian and European leaders, and we are committed to further promoting Asia Europe interaction through the ASEM process.

## **7. *Bilateral.***

On the bilateral front, Singapore has signed FTAs with New Zealand, Japan, the European Free Trade Association, Australia, the United States, Korea, India, Jordan, Panama, and a four-party agreement with Chile, New Zealand, and Brunei. Discussions are ongoing with China, Canada, Pakistan, and Ukraine. Singapore recently concluded FTA negotiations with the Gulf Cooperation Council in January 2008 and with Peru in September 2007. Both agreements are undergoing checks by the respective legal counsels and would be signed within the year.

Singapore views its bilateral FTAs as a critical complement to the efforts at the multilateral level. We have painstakingly ensured that Singapore's FTAs are comprehensive, WTO-consistent and in many aspects, WTO-plus. They are comprehensive in that they cover all aspects of trade, including Goods, Services and Investment. They are WTO-consistent in that elements in the FTAs are based on, and are not in conflict with, WTO rules. They are WTO-plus in that they go beyond existing WTO obligations to achieve a freer and more predictable trading environment.

Singapore's bilateral agreements have set the stage for broader trade agreements. The FTAs with Japan and Korea for instance have set the platform for ASEAN to negotiate the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) and ASEAN-Korea Free Trade Agreement (AKFTA). Moreover, the high-standard, comprehensive agreements can catalyse further trade liberalisation by binding domestic reforms, and eventually regionalising or multilateralising those liberalisation measures.

## **8. *Engaging Emerging Markets.***

Singapore is increasingly looking to establish economic relationships with emerging markets beyond the region, such as China, India, and the Middle East. For instance, Singapore has established economic zones such as the Singapore-India Economic Zone, and business networking platforms such as the Saudi-Singapore Economic Cities

Business Forum and Abu Dhabi-Singapore Joint Forum. In addition, Singapore also opened trade offices in Abu Dhabi and Jeddah in 2007, and stepped up its presence in other emerging markets such as Vietnam, Russia, and Latin America.

### **III. TRADE MEASURES**

Due to its location and developed port facilities, Singapore's merchandise exports include a large volume of entrepôt trade with 47% of exports consisting of re-exports. Since 2004, Singapore has enhanced its position as a global trade and trans-shipment hub by improving the TradeNet system, an electronic single window for customs declarations, to further simplify the regulatory processes for importing and exporting.

Singapore's import regime has relatively few border measures. Singapore's applied MFN tariff is zero, apart from six lines for alcoholic beverages, which are subject to specific rates. Singapore has bound some 70% of its tariff lines, which is unchanged from its previous Review, at an average rate of 6.9%. The gap between applied and bound MFN rates and the absence of bindings for 30.4% of tariff lines could create a degree of unpredictability for traders in the sense that there is scope for the authorities to raise tariffs; however, applied tariffs have not been increased during the review period.

Singapore's import restrictions are based mainly on environmental, health, and public security concerns, with the exception of rice, which is subject to import licensing to ensure food security and price stability. Security, health, and environmental concerns also underlie Singapore's export restrictions and mainly involve endangered species under the CITES Convention, arms, explosives, chemicals, and radioactive materials. Singapore makes very limited use of contingency measures; it did not notify any anti-dumping measures in the review period and has no legislation on safeguards. Singapore's policy of basing its standards on international norms has continued, with around 80% of alignable standards aligned with international standards. There have been no major changes to the regulatory framework for sanitary and phytosanitary measures, although several laws have been updated. Regarding government procurement, Singapore provides additional market access concessions to its trading partners under most of its bilateral FTAs negotiated during the review period.

### **IV. OTHER TRADE-RELATED POLICIES**

In the medium term, the Government is likely to continue to focus on maintaining Singapore's appeal as a destination for FDI. It has reduced the statutory corporate tax rate and continues to offer tax incentives in industries that it is trying to nurture, such as semiconductors, IT, biotechnology and genetic engineering and services. The cost

effectiveness of the many tax and non-tax incentives on offer is, however, open to question.

In addition to tax measures, other instruments of Singapore's evolving industrial policy include: first, state ownership of land ensures that the Government continues to have a significant degree of control over the release and thus the price of industrial land; second, with their history of active implementation of Singapore's industrial policy, statutory boards, and the financial assistance they provide, are key players in the development of knowledge based sectors and value-added activities considered crucial for sustaining the long-term growth of Singapore in the global economy; and third, Singapore's government-linked companies (GLCs, largely consisting of enterprises in which Temasek holds shares), which although still pervasive in many sectors of the economy, now seem to operate more on a commercial basis and less as a strategic tool of industrial policy. During the period under review, the trend towards GLCs operating increasingly on the same basis as private companies has been reinforced by further divestments by Temasek, by enhanced corporate governance regulation (which has imposed more stringent disciplines for listed GLCs), and by the enactment of an economy wide competition law, which applies in principle to all enterprises, including GLCs.

In order to maintain and develop a robust intellectual property (IP) regime to help foster knowledge based industries, attract foreign investment in knowledge-based industries, and meet commitments under its bilateral free-trade agreements and international treaties, significant improvements have been made in legislation, covering copyrights, patents, registered designs, trade marks, and plant varieties.

## **V. SECTORAL POLICIES**

The economy continues to be dominated by services (excluding utilities), accounting for around 66% of GDP in 2007, followed by manufacturing, with a share of about 24% of GDP. The Government believes that manufacturing should remain one of the twin engines of growth and would like to see its share at 20-25% of GDP. The share of employment in the manufacturing sector remains broadly constant at slightly over 20%. Singapore has continued to encourage manufacturing to move into high-value-added activities, primarily through the creation of supporting infrastructure and incentives. The sectoral clusters in manufacturing currently encouraged are: electronics, chemicals, biomedical sciences (comprising the pharmaceutical, medical technology, biotechnology, and healthcare service industries), and engineering (including precision and transport engineering).

Electronics and chemicals form the main manufacturing activities in terms of output,

with electronics accounting for a large share of total merchandise exports. Competition from low cost producers in the region together with Singapore's rising labour costs have resulted in a gradual shift away from labour-intensive to high-value-added capital-intensive activities by deepening Singapore's technology base and strengthening knowledge-based manufacturing (and services) clusters. Incentives are provided to encourage innovation by firms operating in Singapore.

The economy is largely open as far as trade in goods is concerned and has become more open for utilities and services. In the electricity sector, state-owned companies continue to dominate, although restructuring and privatization has begun with the three leading power-generation companies due to be divested by Temasek in 2008/09. Deregulation has continued in the gas sector with the approval of non-discriminatory terms and conditions for gas transportation throughout the Singapore network; the supply of water is centrally managed by the Government at price levels considered to be reflective of the scarcity of water as a resource. A significant degree of liberalization in financial, telecoms, and professional services has been achieved since the previous Review partly as a result of several bilateral free-trade agreements.

In banking, the liberalization measures that have encouraged greater participation from foreign banks have been strengthened by improved supervisory and corporate governance frameworks in the form of new and amended legislation regarding, inter alia, the Banking Act, Deposit Insurance Act, Securities and Futures Act, Financial Advisers Act, and Trust Companies Act. Singapore has also evolved into a major regional asset management centre, attracting well recognized firms.

As a result of liberalization, the number of telecommunication service providers has increased significantly, with over 600 telecom licences awarded, albeit mainly to service-based operators. The postal sector was liberalized in April 2007, ending a 15-year monopoly in the basic mail services market by SingPost.

In transport services, the Government has put in place several long- and short term incentives to encourage growth in the sector, with a view to making Singapore a leading maritime and aviation hub in Asia. A significant development in the tourism sector was the 2005 decision by the Government to abolish its long standing prohibition of gambling and allow casinos in Singapore, in an attempt to increase visitor arrivals and bolster economic growth; relevant legislation was passed in 2006 and will provide the legal framework for the operation of two large casinos, as the main components in two integrated resorts, which are due to open in 2009/10. Singapore is continuing to build up the health services sector, particularly to attract patients from abroad, and has increased market access for certain kinds of foreign professionals, notably lawyers.

## **VI. COMPETITION AND LIBERALISATION POLICIES**

### **A. Competition Policy.**

Competition has always played a key role in Singapore's economic development. In 2004, Singapore adopted a generic competition law. The Competition Act helps to further promote competition in our markets by providing a more even playing field for all businesses. The Act is applicable to all undertakings, i.e. all natural or legal persons capable of commercial or economic activity, and includes government-linked companies. Some sectors are, however, excluded from the law due to public interest considerations such as national security and defence, or because they are from sectors or activities which already have sectoral competition frameworks. These include the telecommunications and energy sectors.

### **B. Intellectual Property.**

With Intellectual Property Rights (IPR) becoming an essential tool for facilitating business and economic growth, Singapore's robust IP infrastructure and pro-IP business environment have helped to create, maintain and enhance the business climate, making Singapore a secure base for an enterprise's entire spectrum of operations. Singapore has consistently enjoyed high international rankings for its strong and dynamic IP protection regime. For the fifth year in a row, Singapore has been ranked No.1 in Asia for IP protection by the World Economic Forum's Global Competitiveness Report 2006-2007, and in the World Competitiveness Yearbook 2006 by the Institute of Management Development. This is an area that we will continue to improve on.

### **C. Liberalisation of Services.**

Singapore has undertaken major liberalisation efforts in recent years in the financial services, energy, and telecommunications sectors.

### **D. Financial Services.**

Since 1999, Singapore has adopted a phased liberalisation of the banking sector, which has led to a relatively high foreign penetration of the Singapore banking system. As of 2007, foreign banks hold an estimated 40% of non-bank deposits and nearly half of loans to residents. The aim of the phased liberalisation approach is to build a strong and competitive banking sector where local banks continue to play an important role in fostering banking system stability. Apart from the banking sector, the insurance and capital markets are fully liberalised.

### **E. Energy.**

The Phase 2 of the electricity retail market liberalisation was completed in February 2006. This opened up 75% of Singapore's total electricity demand to retail

competition. The remaining 25% comprises small consumers made up mainly of households. The Energy Market Authority of Singapore is actively exploring ways to benefit this market segment by enhancing retail contestability. In addition, the Government had decided in 2000 to further free up the Singapore electricity market with Temasek divesting the three incumbent generation companies (gencos). Tuas Power was the first genco to be divested, and was sold to China Huaneng Group recently for S\$4.2 billion. We believe that liberalisation and open competition will reap efficiency gains and the benefits will be passed through to the consumers.

#### **F. Telecommunications.**

The information-communications sector is a key contributor to Singapore's economy. Singapore has been consistently ranked high in the World Economic Forum's Global IT Report and is the only Asia-Pacific economy in the top five positions over the last five years. The Telecom Competition Code, in place since 2000, spells out the key regulatory responsibilities of all providers of telecom systems and services, including their duties to end users. The Code has helped to promote effective and sustainable competition in the telecom sector.

### **VII. DOHA DEVELOPMENT AGENDA**

**Singapore's Policy for the DDA.** Singapore strongly supports the multilateral trade negotiations, and believes that the successful conclusion of the DDA depends on the entire WTO membership. The failure of the DDA would mean a triumph for protectionism, which would be detrimental to the multilateral trading system and interests of all countries, particularly the smaller and developing members. Singapore will spare no effort in working with all WTO members towards an expeditious and successful conclusion of the DDA.

**Singapore's Priorities in the DDA.** Singapore's substantive economic interests lie in NAMA, Services and Rules.

#### **A. NAMA.**

Almost all of Singapore's merchandise exports are non-agricultural. Therefore, in terms of market access in this Round, NAMA is a very important area for Singapore. Our objective in NAMA is to seek significant market access improvements through the swift and substantial reduction of tariffs, through a robust Swiss-formula modality and sectoral liberalisation, and non-tariff barriers. Together with other like-minded developing Members, we have put forward proposals aimed at securing a middle-ground solution in NAMA. To complement our approach in NAMA, we also advocate a good outcome in sectoral initiatives to reduce and eliminate tariffs in numerous sectors including chemicals, pharmaceuticals and

medical devices, and electronics. We would continue to work with other sectoral proponents in reaching out to other Members.

### **B. Services.**

While Singapore sees Services as one of the key market access outcomes in the Doha Round negotiations, we believe that the sequence that Ministers committed to in the Hong Kong Ministerial Declaration should be upheld. Singapore is firmly focused on the need to ensure a good outcome in Services, and believes that the drafting of the Services text should not become an obstacle towards that end. In this respect, Singapore has worked with like-minded Members on a common ground text for Services in an effort to facilitate progress in the Services negotiations. Further, as envisaged in the Hong Kong Ministerial Declaration, Singapore is hopeful that a balanced set of palatable disciplines could be adopted at the same time as the conclusion of the market access negotiations. Singapore's objectives are to have disciplines on domestic regulations that could help to provide effective access to markets, while at the same time, the disciplines should be such that they do not prejudice regulators' ability to regulate the various services for legitimate policy purposes.

### **C. Rules.**

Singapore is also seeking clarifications and improvements to the current trade remedy rules, particularly in the areas of anti-dumping. More recently, Singapore, together with the Friends of Anti-Dumping Rules (FANs) group, have tabled textual proposals to the Chair's draft text to further clarify the disciplines under the Anti-Dumping Agreement. Singapore, together with other ASEAN members, have most recently submitted a joint communication, calling for the issuance of a revised text. Our industries have interests in clarifying WTO rules especially with regard to the Anti Dumping Agreement and we will continue to ensure that our voice is heard.

### **D. Dispute Settlement.**

The Dispute Settlement Mechanism is the cornerstone of the rules-based multilateral system of the WTO, providing all members, small and large, with access to a legally binding avenue to settle trade disputes. This is an invaluable asset of the WTO and Singapore will continue to support the Dispute Settlement Body.

### **E. Aid-for-Trade.**

Singapore believes in the development dimension of the Round. Singapore supports the objectives of the Aid-for-Trade Initiative (AFT) through, inter alia, the Singapore Cooperation Programme (SCP), Singapore's technical assistance programme to developing countries. We have been sharing our development

experiences with other countries since the inception of the SCP in 1992. As a strong supporter of free trade, Singapore has committed substantial resources to help strengthen the human resource and institutional capacity of developing countries in harnessing trade as an engine of growth and development.

As much as 80% or more of SCP programmes have a direct or indirect contribution to AFT. Through the SCP, Singapore has been organising technical assistance programmes on trade policies and regulations to equip developing countries with the requisite knowledge on trade opportunities and skills to access them. They cover areas such as trade policy and planning, e.g. market access and trade facilitation, trade liberalisation and negotiation, dispute management and anti-dumping; economic infrastructure, e.g. sea and airport management, logistics and distribution, customs management and ICT; macroeconomic reforms and trade liberalisation, e.g. banking, trade financing, enterprise development and competitiveness; and other areas in which Singapore has experience.

## **VIII. OUTLOOK**

The Government forecasts the Singapore economy to grow by between 4% and 6% in 2008 on the assumption that external economic conditions will weaken compared with 2007. While economic growth is expected to moderate, inflationary pressures stemming from external sources, such as higher commodity prices as well as domestic conditions including a tight labour market and higher wages and rental costs, and one-off factors like the hike in GST, are expected to push inflation up to 5%-6% for 2008 as a whole.

No fundamental changes to monetary policy are expected; the policy stance remains supportive of economic growth while ensuring price stability over the medium term. However, the move in April 2008 by the MAS to allow the nominal effective exchange rate of the Singapore dollar to appreciate might touch on external competitiveness unless this can be offset by improved productivity, whose growth has been falling recently. However, the authorities consider that the stronger exchange rate will help rein in cost pressures at the industry level, as derived demand for factor resources in the economy eases, thereby moderating inflationary pressures in the economy.

In the longer term, as a city-state of around 4.5 million people, which is heavily dependent on trade in goods and services, Singapore needs to rely more on domestic consumption as a source of growth to help balance fluctuations in external demand and thus reduce its vulnerability to external shocks, which Singapore has tried to mitigate by diversification across export markets and sectors. In this regard, the Government

seems to be planning for a significant increase in population over the long term and has revised upwards its population forecast to 6.5 million by the middle of the century, to be achieved partly through increased immigration.

Among the social challenges facing Singapore, the demographic trends of falling fertility rates and rising life expectancy are resulting in a rapidly ageing population, which could contribute to an eventual fall in Singaporeans' overall propensity to save, insofar as a growing number of retirees rely increasingly on their savings (rather than income) to finance consumption. The Government has been helping Singaporeans to prepare financially for retirement through long-term and continuing reforms in policies pertaining to employment, training, retirement savings, housing, and health.