

**Summary of  
Barriers to Trade and Services  
in Singapore**

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Compiled by  
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With Singapore being one of the most business-friendly economies in the world it becomes clear that the complaints concerning business in Singapore are more or less sophisticated whining.

As of 2002, the average tariff in Singapore is below 1%, as more than 99% of goods enter duty-free. Since 2000, duties are levied on tobacco products, alcoholic beverages, gasoline, automobiles (20%), and motorcycles (12%). With regard to these facts Singapore is often considered to be free trade already. However, implications show that it is actually not (Singapore Customs, 2009).

The current situation in Singapore is in general highly convenient for all companies throughout all industry groups. Although Singapore is a much regulated economy, the regulations have shown to be highly transparent. Therefore companies have also been able to learn to cope with whatever restrictions exist. With some limited exceptions, regulations in Singapore generally do not impose actual barriers to trade – in the sense that they completely inhibit a certain business. However, there are certain specific regulations that impose actual problems to companies and need to be dealt with.

Also, the multitude of bilateral FTA's (Singapore now has 19 FTA's) put companies from Singapore's FTA partners at a different level playing field compared to European companies. As a general rule, with each new bilateral agreement, the advantages of those countries that are included, diminish; whereas the disadvantages for those countries that are not included, increase.

An additional problem is represented by the number of regional FTA's presently being discussed or concluded (AUS/NZ – ASEAN, China – ASEAN, Japan – ASEAN, Korea – ASEAN, India - ASEAN FTA). These actually increase the cost of doing business by up to 20%, because a company needs to determine under which agreement (regional or bilateral) it wants to sail and meanwhile only specialists are able to find a cost saving way to utilise FTA's.

Changing certain regulations in Singapore would benefit foreign and local companies and would make Singapore even more attractive with regard to Intra-ASEAN business.

## 1. Trade in Goods

As 99% of goods enter Singapore duty free and Singapore provides excellent infrastructure regarding trade in goods, there have been generally little issues reported related to trade in goods. However, elimination of restrictions in Singapore for food import has been reported to be of major concern to companies from various European countries.

### **Import Restrictions for Food:** Difficult processes imply trade barriers

The Agri-Food & Veterinary Authority of Singapore (AVA) is the national authority on food safety for both primary and processed food. It ensures the safety of all food from production to just before retail. (AVA Homepage, 28 June 2007)

Importing foods to Singapore is in general a very convenient process. Exceptions are products that are subject to certain restrictions. Once a restriction is in place it is generally a difficult process to change the restrictions or the processes involved. Therefore it is still very difficult to bring in certain types of food from Europe to Singapore. Especially meat products are sensitive.

If a company wants to import certain meat products from Europe (e.g. ham from Spain, salami from Italy, bacon from Austria) it has to get a licence from the AVA for the specific manufacturing plant (slaughterhouses and meat processing establishments) where the product is manufactured at. The process of licensing a manufacturing plant from Europe is a very time and money consuming process. According to the Managing Director of a European food importer, the entire process takes about two to three years and requires very detailed information about the manufacturing plant and the exact processing method of the product. For small companies it is not profitable to fulfil all requirements in order to import a certain product, thus implying an actual barrier to trade to them.

Another issue are certain over-protective measurements concerning food imports to Singapore. In order to ensure the quality of imported meats, the (already tested) meat products are being tested for their listeria level in Singapore again. These double tests considerably reduce the actual shelf life of the products, resulting in rejection by the actual buyers (super-markets, restaurants, hotels) who do not want to buy goods that can only be sold for a few more days.

But not only that is a problem: Since the maximum listeria level allowed for imported meat products are very low, many companies dare not take the risk of even trying to import certain meats. Once shipped to Singapore a rejected good is very costly for the importer. Trying to get a product approved - once rejected (perhaps even by mistake) - is a very time-consuming and costly process, once again resulting in a diminished product shelf life. Additional to that an importer must either dispose the

rejected goods somehow or ship it back to the originating country – both at its own expenses – if the product is finally rejected.

Issues like the above mentioned not only impose problems for the importers of foods, but also create a false sense of security.

However, importing certain meat products from other countries like the U.S., Australia and New Zealand (each an FTA partner) do not impose the same problems as products from Europe. Manufacturing plants from U.S., Australia and New Zealand do not need to be licensed by the AVA. The Australian government for example provides a license to its national plants, which is recognised by the Singapore government. Cooked meat products (e.g. Salami from Australia) can be shipped to Singapore and the import into Singapore is then subject to approval at the customs. Although this procedure also bares the risk of rejection, it makes import of certain products from those countries possible without having to go through the process of licensing an entire manufacturing plant.

### 1.1 Rules of Origin

#### **Import Duties on Alcohol:** Disadvantage of not having an FTA

Only three types of duties and taxes apply in Singapore: Duties, Excise, and Goods & Service Taxes (GST). Full Rate and Excise comprise the Customs Duty. A dutiable item has either Full rate or Excise, or both rates levied. Currently, there are only 309 HS numbers that are dutiable items, and these are found in Chapter 21, 22, 24, 27, 33 and 87. These duties are levied for the purpose of discouraging drinking alcohol, smoking tobacco and cigarettes, and ownership of vehicles to control traffic congestion. In addition to these duties and taxes, “Goods and Service Taxes” (GST) is levied on all imported goods to Singapore.

Singapore's FTA's provide exemption of the Customs Duty (Excise duty will still be applicable at their respective rates) for the import of: stout, beer, medicated samsu and other samsu of alcoholic strength (HS 22030010, 22030090, 22089010, 22089020, 22089030 and 22089040) for ASEAN members, ANZSCEP (Agreement between New Zealand and Singapore on a Closer Economic Partnership), Japan under JSEPA (Japan and Singapore Economic Partnership Agreement), Switzerland, Iceland, Liechtenstein and Norway under ESFTA (EFTA and Singapore Free Trade Agreement), Australia under SAFTA (Singapore - Australia Free Trade Agreement), USA under USSFTA (United States - Singapore Free Trade Agreement), India under CECA (India - Singapore Comprehensive Economic Cooperation Agreement), Jordan under SJFTA (Jordan-Singapore Free Trade Agreement) . The importers of beer from EU or ASEAN countries except for Thailand and Philippines are forced to pay the import duty of SGD 0.80 per litre which domestic producers don't have to pay. This import duty signifies a substantial disadvantage in competition with local beer producers.

Since 18 February 2008, the taxation of alcoholic drinks was changed to taxing liquors on the basis of alcoholic content, rather than on the basis of volume.

Example Beer: Customs Duty of \$16.- per litre of alcohol, plus Excise duty of \$48.- per litre of alcohol.

Beer with an alcohol content of ca 5% would attract 5% of \$16.- (\$0,80) plus 5% of \$48.- (\$2,40), ie \$3,20 per litre of beer.

Importers from Europe or ASEAN countries except for Thailand and Philippines would have to pay an additional \$0,80 per litre of imported beer.

Example Wine: No customs duty, but Excise Duty of \$70/litre of alcohol.

Wine with an alcohol content of 12% would attract an Excise Duty of \$8,40 per litre of wine (Singapore Customs, 2009).

That a foreign importer faces disadvantages compared to a local manufacturer is very common in international trade, especially when it comes to alcohol. But what really puts European beer importers at a disadvantage are FTA regulations that apply for certain FTA partners (New Zealand, Japan, Switzerland, Liechtenstein, Norway, Iceland, Australia, United States, India, Jordan, Korea. Currently, in ASEAN only Philippines and Thailand qualify for preferential tariff): Under the USSFTA for example, Singapore commits itself to zero tariffs for all imports including the immediate elimination of tariffs on beer and stout (Singapore's FTA Network, no date). An importer of beer originating from the U.S. does therefore not have to pay the import duty.

## 1.2 Integrated Sourcing Initiative (ISI)

**Integrated Sourcing Initiative:** Competitive disadvantage for EU corporations

The U.S.-Singapore Free Trade Agreement (USSFTA) introduced a new instrument dealing with Rules of Origin (ROO) with the so-called Integrated Sourcing Initiative (ISI). Article 3.2 "Treatment of certain products" under the USSFTA reads as follows: "Each Party shall provide that a good listed in Annex 3B is an originating good when imported into its territory from the territory of the other Party." The list in Annex 3B includes 266 goods from non-sensitive, globalised sectors, such as IT, medical and electronic equipment. The list can be reviewed and expanded to other products continuously.

If an ISI product is shipped between the United States and Singapore, an importer does not need to: Prove that the ISI products meet detailed "rules of origin" tests; complete certification paperwork (no Certificate of Origin (CO) required anymore); or pay the merchandise processing fee (Office of the United States Representative,

2003). The ISI therefore puts European companies at a clear competitive disadvantage compared to their U.S. competitors.

### 1.3 Trade in Services

#### **Financial Services:** Limited banking licenses for European banks

In a bid to encourage consolidation of the local banking industry to form larger banking conglomerates better able to regionalise and compete with foreign banks, the government liberalised the banking sector by awarding greater liberty for foreign banks to operate in Singapore in 2001. The government created a new category under the foreign banks category, called the Qualifying Full Bank (QFB). The number of QFB licenses is limited to 7 (The Association of Banks Singapore, 2009). QFB can engage in all banking activities including retail banking; they are permitted to operate up to 25 service locations (of which up to 10 can be branches), to share their ATM networks and provide certain other services.

Another new banking license with a quota was the Wholesale Bank (WB) licence. Wholesale bank licenses are limited to a total number of 42, and were issued as a reflection of greater services which may be conducted by these banks. These banks may conduct the same range of services as full banks, except that they do not deal with banking activities in the Singapore Dollar, and can only have one main branch.

The various existing Singapore FTAs create unequal preconditions for banks from different countries. The USSFTA removes the quotas on QFB (in 2005) and WB licenses (in June 2007) for U.S. banks as well as restrictions on customer service locations for QFBs. The CECA (India - Singapore Comprehensive Economic Cooperation Agreement) increases the number of QFB licenses for Indian banks to a total of three. The quota for WB licenses has also been removed for Indian banks under the CECA and for Australian banks under the SAFTA (Singapore-Australia Free Trade Agreement). U.S. QFBs incorporated in Singapore are also allowed to negotiate with local banks for access into their ATM networks on commercial terms. The U.S. Citibank has been able to considerably profit from this USSFTA regulation and has just been voted Singapore's best bank (The Business Times, 2009).

Furthermore, most European companies are currently using at least two different banks for their banking services. While local banks are mainly used for retail banking services, European banks are used for investment banking services. The reason within this is the different business mentality of local banks when it comes to financing funds. Experience has proven it to be difficult for companies to fund start-ups, since local banks tend to have a conservative investment attitude towards foreign invested companies.

**Medical services:** Full foreign ownership is allowed, but managers need to be locally licensed while individuals are also required to be licensed in order to practice.

Restrictions apply to advertising, marketing or soliciting.

**Hospital services:** Full foreign equity ownership and there are no further restrictions on the foreign operators.

**Banking services:** Domestic banks in Singapore generally do not face many restrictions except for the prohibition from engaging in the investment, development and management of real estate business. Business expansions via street branches are allowed with a specific amount. Domestic banks are also allowed to own less than 100% of non-financial firms.

Foreign banks in Singapore are also not allowed to engage in real estate business. No quota is imposed on the number of foreign executives and managers allowable in a foreign bank, neither do the intra-corporate transferees need to be subject to labour market tests. For temporary entry, the permitted length of stay is 60 days while for long-term stay, the allowable period of stay could be up to 2 years.

Foreign banks are permitted to have ownership over non-financial firms but with some restrictions.

The interest rates for certain services are subjected to the approval by government.

**Life insurance services:** Foreign insurance companies are allowed to operate and provide insurance domestically.

No quota is imposed on the executives and managers could be employed from overseas. For each temporary entry, the allowable length of stay is 60 days. As for long-term stay, the permitted length is up to 2 years.

Prices of life insurance for certain types of policies offered by both domestic and foreign insurance companies need to be approved by the government.

## Barriers to Trade in Banking & Insurance Services in Singapore

	Singapore
<b>Banking</b>	
<b>Domestic Banks</b>	
1. Restriction on capital flows	
2. Restrictions on new entry	
3. Entry restricted by screening or needs tests?	
4. Restrictions on raising funds	
5. Restrictions on the ability to lend	
6. Restrictions on providing settlement services	
7. Restriction on securities activities	
8. Restrictions on real estate business	√
9. Restrictions on foreign exchange services	
10. Restrictions on selling insurance	
11. Restrictions on operation expansions	
12. Restriction on private ownership	
13. Restrictions on ownership of non-financial firms	√
14. Restrictions on licenses allocation	
15. Restrictions on setting interest rates	√
<b>Foreign Banks</b>	
1. Restriction on capital flows	
2. Restrictions on new entry	
3. Entry restricted by screening or needs tests?	
4. Restrictions on raising funds	
5. Restrictions on the ability to lend	
6. Restrictions on providing settlement services	
7. Restriction on securities activities	
8. Restrictions on real estate business	√
9. Restrictions on foreign exchange services	
10. Restrictions on selling insurance	
11. Restrictions on operation expansions	
12. Cross-border, by banks located abroad	
Lending	
Raising funds	
Settlement services	
Securities business	
Foreign exchange business	
Insurance	
13. Restrictions on domestic residents buying financial services while abroad	
14. Quotas for executives and managers	
15. Intra-corp.transfer subject to labour market tests?	
16. Max.length for short-term visit (days)	60
17. Max. length for long-term stay (years)	2
18. Foreign ownership maximum	
19. Restriction on license allocation	
20. Restriction on setting interest rates	√
21. Restrictions on ownership in non-financial firms	√
22. Foreign firms subject to different licensing requirements?	

<b>Insurance</b>	<b>Singapore</b>
1. Restriction on short-term capital in-flows	
2. Restrictions on new foreign entry	
3. Entry restricted by screening or needs tests?	
Domestic providers	
Foreign providers	
4. Joint-venture requirement for foreign firms	
5. Restrictions on providing life insurance domestically	
Domestic firms	
Foreign firms	
6. Restrictions on reinsurance by resident companies?	
Domestic insurance companies	
Foreign insurance companies	
7. Restrictions on operations expansions	
Domestic insurance companies	
Foreign insurance companies	
8. Cross-border insurance trade	
Restrictions on domestic residents buying life insurance cross-border from a foreign insurance company	
Restrictions on offshore firms soliciting business domestically	
9. Restrictions on domestic residents buying life insurance from a foreign insurance company while abroad	
10. Quotas on executives and managers of foreign insurance companies	
11. Intra-corp.transferees subject to labour market tests	
12. Max. length of short-term stay (days)	60
13. Max. length of long-term stay (years)	2
14. Restrictions on private ownership	
15. Max. foreign ownership	
16. Restrictions on licenses allocation	
17. Foreign firms subject to different licensing requirements	
18. Restrictions on setting prices of life insurance	
Domestic companies	√
Foreign companies	√
19. Restrictions on placement of assets?	
By domestic insurance companies	
By foreign insurance companies	

## **Barriers to Trade in Medical & Hospital Services in Singapore**

	Singapore
<b><u>Medical Services</u></b>	
1. Ownership	
Requirement of joint-venture	
2. Restrictions on new entry of foreign firms	
3. Movement of medical professional (inwards)	
Restriction on entry by foreign individuals	
Residency or local presence requirement	
4. Movement of medical professional (outwards)	
Restrictions on outward movement	
Restrictions on exit	
5. Intra-corporate transferees	
Subject to labour market tests?	
Must managers be locally licensed?	√
Must managers be locally domiciled?	
6. Requirement to have nationals/residents?	
7. Restriction to employ locally trained professionals?	
8. Cross-border	
Restrictions on services from abroad, e.g. tele-medicine?	
9. Consumption abroad	
Restriction on domestic residents buy medical service while abroad?	
10. Which of the following are consulted in advance of regulatory changes (eg licensing requirements)?	
Service providers	√
Professional bodies	√
Users	√
Others	
11. How are laws and regulatory decisions made public?	
Government website	√
Professional body's website	√
Official gazette	√
Other	
<b><u>Hospital Services</u></b>	
1. Ownership	
Requirement of joint-venture	
Limit on foreign ownership	
2. Restrictions on new entry of foreign firms	
3. Restrictions on scope of services	
4. Restrictions on number of clients	
5. Movement of people	
Minimum reqts. Of nationals/residents	
Restrictions on employing local professionals	
Subject to labour market tests?	
Must managers be locally licensed?	
Must managers be locally domiciled?	
6. Cross border	
Restrictions on services from abroad, e.g. tele-medicine?	
7. Consumption abroad	
Restriction on domestic residents buy medical service while abroad?	

#### 1.4 Investments

Singapore seems to be a very convenient place for investments. There are no investment requirements that imply a barrier for investments. Companies investing in R&D in Singapore are given various incentives. Investments in Singapore are considered to be safe.

No issues about investments caused by Singapore's existing regulations have been reported by companies participating in the survey.

#### 1.5 Government Procurement

##### **Government Procurement:** Fair and transparent processes

No issues regarding government procurement in Singapore have been reported by companies participating in the survey.

##### **Government Tenders:** Fair and transparent processes

Only few issues were reported on beneficial treatment of local or Government-Linked Companies (GLC) during government tender processes in Singapore, usually being of marginal severity.

However, one example mentioned concerning inconsistencies in a government tender process clearly raised certain questions: In May 2002, the Singapore Public Utilities Board (PUB) announced an initiative to increase supply capacity for water by increasing the sources of supply. PUB put out a tender for the supply of 136,000 cubic metres (30 million gallons) of desalinated water per day through a Build-Own-Operate (BOO) project. SingSpring, originally a Hyflux-led consortium, won the deal to build the \$200 million reverse osmosis plant in Tuas in 2003 as it submitted the lowest bid for the contract at approximately Euro 0.42 per cubic metre, an offer that by far underbid all other prizes; and its bid was able to meet various technical performance standards. Hyflux's equity investment was \$35 million, with the remainder funded through a \$165 million loan. On the way, the project turned out to show considerable financial and technical difficulties. Nevertheless, Hyflux was able to sell 50 per cent of the plant in April 2005, months before the construction was completed, to Temasek Holdings (the Singapore government investing arm) for \$30 million in cash, booking a \$20 million capital gain.

## 1.6 Intellectual Property Rights Protection

### **Intellectual Property Rights Protection:** Enhancement through USSFTA

The USSFTA contains the most comprehensive regulations on IPR. But it is not the U.S. companies alone that benefit from the increased IPR protection. The chapter of the agreement on IPR has lead Singapore to the best IPR protection regime in Asia. In connection with the USSFTA, Singapore enhanced protection for copyrights, patents, trademarks, data; it also enforced combating piracy and illegal manufacture as well as import and export of pirated goods. (Wong, 2004)

No issues about IPR violations in Singapore have been reported by companies participating in the survey.

## 1.7 Mutual Recognition

### **Trainee Work Permits:** Intransparent process

Although applying for a trainee work permit is a generally convenient process in Singapore there is currently a lack of transparency involving rejection of an application. There are no reasons being stated in case of rejection, making it difficult for the companies to understand the reasons for the rejection. It currently seems as though most applications are generally being rejected. Although an appeal is usually successful, the application process is being artificially prolonged, making it a matter of time and persistency for the applying company and the future trainee.

### **Discriminatory Treatment:** Future Work Holiday Program (WHP)

The Work Holiday Program was announced in May 2007 by the Singapore Government and will allow students on vacation in Singapore to get a job and stay for up to six months. Unfortunately the WHP will only be open to students and graduates from Australia, France, Germany, Hong Kong, Japan, New Zealand, United Kingdom and United States.

Although the WHP is a very interesting program for students and companies, the exclusive selection of eight nationalities eligible for application is a clear discrimination of most EU member states.

### **Professional Engineers Act:** Barrier to Engineers

The Professional Engineers Act regulates qualifications and conduct of professional engineers in Singapore. To become a professional engineer – which is the requirement for permission to work as an engineer in Singapore – an applicant needs to have acquired 4 years of practical experience in professional engineering work and pass an examination by the Professional Engineers Board (PEB). Although

the Professional Engineers Act does not specify any further requirements – such as in which country the applicant has gained his experience – it leaves it up to the PEB to decide who will be accepted and who not. (Professional Engineers Act)

This practise inhibits experienced foreign engineers from performing any work in Singapore and has proven to be a protection of the local engineering market. As experience has shown in the past there are close to zero foreign professional engineers in Singapore.

## 1.8 Sustainable Development

### **Sustainable Development:** Highly appreciated discussion

Singapore is highly efficient in terms of introducing new development programs in various sectors and shows high potential to serve as a role model for ASEAN when it comes to sustainable development. A sustainable development chapter could therefore be implemented in an EU-ASEAN FTA in order to establish sustainable development measures in various areas.

All companies interviewed would appreciate establishing a sustainable development chapter dealing with environmental and social issues.

### **Safety Regulations:** Contradictory regulations

The government in Singapore emphasises on strict safety regulations in daily life (e.g. seat belt obligation in taxis, helmet obligation on construction sites, etc.). Singapore generally has very high safety regulations even compared to many European countries. Nevertheless there are clear inconsistencies in regulations when it comes to safety. On one side these inconsistencies often seem to be cost-driven in a sense that certain safety measures are only taken if they can be obtained at low costs. On the other side safety regulations are handled differently by different government authorities (like Land Transport Authority, Public Utility Board, etc.). A tendency to rather go by the book instead of basing safety measures on expertise can be observed on various occasions.

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