

# GENERAL AGREEMENT ON

C/RM/M/22  
12 May 1992

## TARIFFS AND TRADE

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COUNCIL  
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TRADE POLICY REVIEW MECHANISM  
SINGAPORE  
MINUTES OF MEETING

Chairman: Mr. B.K. Zutshi (India)

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I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. Opening the discussion, the Chairman recalled the objectives of the Trade Policy Review Mechanism, as decided by the CONTRACTING PARTIES on 12 April 1989 (L/6490). The Council was to base its work on two reports, one submitted by Singapore (C/RM/G/22) and the other by the GATT Secretariat (C/RM/S/22A and 22B).

2. Two contracting parties (Australia and Canada) had given advance notice in writing of points they wished to raise during the meeting. The delegation of Singapore had been informed of these points. It was understood that these questions should not limit in any way the scope of the discussion in the meeting.

3. The Chairman thanked Mr. Somchin Suntavaruk and Mr. Andras Szepesi who had agreed to contribute, in their personal capacities, as discussants to the meeting. He suggested that participants make one statement only, but separating the treatment of the following two main themes:

(1) General economic environment and objectives in relation to trade policies; questions relating to the evolution of Singapore's economic structure; macroeconomic policies and their effects on growth and investment; the rôle of the Government in supporting Singapore's business and trading environment; and the evolution of Singapore's general policy approach toward multilateral and regional trade liberalization, including the Uruguay Round, the ASEAN Free Trade Area initiative and the "triangle of growth" concept:

(2) Use of trade and trade-related measures and policies. Relevant issues included the system of investment incentives, the State participation in particular sectors of industry, and the low level of tariff bindings.

4. The Chairman invited the representative of Singapore to give his introductory statement, to be followed by the two discussants.

## II. OPENING STATEMENT BY THE REPRESENTATIVE OF SINGAPORE

5. Singapore welcomes the opportunity given to us at this Special Council to have Singapore's trade policy reviewed under this Trade Policy Review Mechanism. Singapore supports the objectives of the Trade Policy Review Mechanism. As Ministers agreed to at the Mid-term Review, such reviews would enable the regular collective appreciation and evaluation by the CONTRACTING PARTIES of the full range of individual contracting parties' trade policies and practices and their impact on the functioning of the multilateral trading system. It should, however, be emphasized that such reviews are not intended to serve as a basis for the enforcement of specific GATT obligations or for dispute settlement procedures, or to impose new policy commitments on contracting parties.

6. I am pleased to present to the Council our Report on Singapore's Trade Policies and Practices, circulated as C/RM/G/22.

7. Allow me first of all to thank the GATT Secretariat for its well-written Reports in C/RM/S/22A and C/RM/S/22B. Together with our Report, these will enable other contracting parties to obtain a better understanding of Singapore's trade policies and practices. I would also like to express our appreciation to the two discussants, Mr. Andras Szepesi and Mr. Somchin Suntavaruk who have kindly undertaken the task of leading the discussions at this review.

8. Singapore's policy over the past 30 years has been aimed at promoting free flowing trade and investments. Our economic development has been based on a liberal and open trade system. We have adopted an outward oriented growth strategy, prudent financial policies, encouraged foreign investments and paid attention to infrastructural and human resource development.

9. Singapore has always maintained a very open trading régime which allows for the liberal import and export of goods and services. Ninety-six per cent of all imports enter Singapore free of tariffs and other border measures. Our m.f.n. trade-weighted tariff is only 0.3 per cent. Domestic industries are not protected by tariff and non-tariff barriers, quotas or surcharges. We have never taken safeguard or anti-dumping or countervailing actions against imports into Singapore. In the few cases where import and export controls are maintained, they either stem from obligations under various international agreements or are applied for health, safety or security reasons. There is no foreign exchange control and the Singapore dollar is freely convertible against other currencies.

10. We actively promote the free flow of foreign investments into Singapore. There are no restrictions on foreign equity ownership, and foreign companies are free to repatriate their profits. Minimal constraints are imposed on company operations.

11. Singapore is a strong believer in the free market mechanism. The rôle of the Government in the economic development process is one of facilitation. The philosophy underlying all economic policies is to encourage the private sector to be competitive internationally. The Government seeks to ensure a stable and competitive socio-economic environment which would be conducive to the activities of the private sector and to overall economic growth. This is done through the provision of infrastructural facilities, human resource development and a conservative fiscal policy to keep inflation within control.

12. Singapore is a small country with a population of 3 million and with little natural resources. The value of our trade is 3.5 times the Gross Domestic Product. Singapore is thus very vulnerable to economic downturns and protectionism in its major markets. Weak external demand in 1985 was one of the main reasons for a major economic recession when Singapore registered negative growth. Similarly, the current global economic recession is expected to dampen Singapore's growth prospects in 1992.

13. The intensification of protectionism in the markets of our major trading partners continues to be of serious concern to Singapore. Common problems encountered by Singapore companies in its major markets, particularly in the United States, the European Communities, Canada and Australia include anti-dumping actions, countervailing measures, and quantitative restrictions. Singapore is also concerned about the arbitrary applications of rules of origin which harass trade; stringent and arbitrary technical standards to create unnecessary obstacles to trade; and environment-related trade measures to restrict trade.

14. The GATT is the cornerstone of Singapore's trade policy. As a contracting party to the General Agreement on Tariffs and Trade (GATT) since 1973, Singapore is committed to upholding and strengthening the fair and open international trading system which has contributed to global economic growth and development in the last 40 years. To this end, we attach top priority to an early and successful conclusion of the Uruguay Round negotiations. A successful outcome of the Round will bring about further liberalization and expansion of world trade, the strengthening of GATT rules and disciplines and the commitment by all countries to act under multilateral rules.

15. Singapore participates actively in multilateral, plurilateral and regional groupings to achieve greater multilateral and regional trade

liberalization. We have worked closely with like-minded countries, for example, in the Association of South East Asian Nations (ASEAN). In view of emerging new economic groupings among developed countries, the ASEAN countries feel the need to respond through enhanced regional economic cooperation and promotion of an open international economic régime. At the 4th ASEAN Summit in January 1992 in Singapore, the ASEAN countries have agreed to establish an ASEAN Free Trade Area (AFTA) within 15 years. The objectives of AFTA are, inter alia, to foster greater intra-ASEAN trade and to encourage investors to take advantage of the different strengths of ASEAN member countries to produce exports which are competitive on the world market. The details of achieving these objectives are currently being worked out.

16. I would now like to turn to some aspects of the Secretariat report to provide further clarification in order to put these issues in their right perspective.

17. First, in paragraph 16 of the Summary Observations, there is reference to the fact the "the predictability and stability of Singapore's open trade régime is somewhat affected by very low levels of tariff bindings...".

18. This is not an accurate statement. We wish to stress that the openness of Singapore's trade régime is not determined by the level of its bindings. In fact, 96 per cent of all imports currently enter Singapore free of tariffs and other border measures. The history of Singapore's trade régime has shown without a doubt that Singapore has remained consistently predictable and stable as a liberal trader, regardless of the level of our tariff bindings. We have consistently maintained an open trade and tariff régime despite the vicissitudes of the global economy and have rejected pressures for protection when the times were bad. We will continue to do so. Singapore's trade régime has not posed a problem or threat of restricted market access to the exports of other contracting parties.

19. Tariff bindings are an outcome of negotiations. Singapore remains ready to negotiate the increase to its level of bindings in the context of the Uruguay Round market access negotiations. The ultimate level of our bindings that could result from the Uruguay Round would really depend on the right price that we can agree upon in the negotiations with our trading partners.

20. Second, in paragraph 23 of the Summary Observations, the report commented that "selective or single tendering, whose importance in overall government purchasing may be considerable, seemingly provide more scope for discretionary decisions". We would like to point out that open tendering

accounts for 85 per cent of the total number of tenders called, or 90 per cent of the value of tenders, excluding defence procurement contracts. Selective or single tendering accounts for only a small percentage of government purchasing. Furthermore, selective tendering is normally conducted for tenders under S\$15,000 (about US\$8,900) for goods. For such very low-value tenders, it would be inefficient and burdensome to call for open tendering. Even the Government Procurement Code requires code obligations to be fulfilled only for tenders above the threshold of SDR 130,000 (equivalent S\$338,000).

21. Third, paragraph 37 of the Summary Observations and paragraph 21 of the report refer to the Government's extensive involvement in manufacturing, particularly the ship-building and repair industries.

22. The participation by the Government in certain industries was started in the 1960s and early 1970s when Singapore embarked on its industrialization programme. The government had to lead the way by venturing into areas where the private sector was not in a position to do so because of heavy capital costs and high risks. These Government-linked companies have their own independent groups of management and operate as any other commercial company. They are not protected from market competition nor are they given any special privileges. Several foreign companies are involved in and compete profitably in the same areas as Government-linked companies in Singapore. It must be emphasized that the involvement of Government-linked companies in the Singapore economy has not distorted trade and investment flows. Over the past years, the Singapore Government has been divesting its equity from many of these companies. Today several of them in fact have been privatized with both foreign and local equity participation and are listed on the Singapore Stock Exchange. This process is continuing.

23. Fourth, paragraph 16 of the Secretariat report states that the Singapore Government influences the labour market through the National Wages Council. The National Wages Council is a tripartite organization involving Government, Unions and employers. The NWC seeks to enhance understanding among these three groups through exchange of information and views. The guidelines that are issued by the NWC are derived through consensus and are only qualitative guidelines. The guidelines are voluntary and companies are encouraged to tailor remuneration packages according to corporate and individual performance. As a free market economy, wages in Singapore are essentially determined by demand and supply factors. The NWC mechanism has been one of the principal factors that has contributed to industrial peace which the country has enjoyed over the past 20 years.

24. Fifth, paragraphs 11 and 37 of the Summary Observations and paragraph 52 of the report observe that there is no independent body which reviews economic policies. The report also suggests that the rationale behind Singapore's basic trade policy stance argues in favour of independent policy monitoring. We would like to point out that the Singapore Government believes and engages in dialogues and consensus building between the private and public sectors in policy deliberations before policies are established. Cases in point are (i) the setting up of the Economic Committee in 1985 to review policies and to formulate measures to cope with Singapore's economic recession; and (ii) the setting up of the National Marketing Workshop in 1989 to review issues related to the marketing of Singapore. This is our preferred approach which has proven to be successful.

25. Finally, there are a number of factual errors which the Secretariat has kindly offered to amend in the final published version of the reports. For the information of the meeting, I would like to point out the more critical errors which may otherwise impede your understanding of certain issues in the Report. On page (xiv) paragraph 32 of the Summary Observations, the ASEAN agreement to create a free trade area within 15 years was equated with the East Asian Economic Caucus (EAEC). This is factually incorrect. The AFTA and the EAEC are two different and distinct subjects. Therefore the phrase "the East Asian Economic Caucus" should be deleted. For the same reason, the last sentence in paragraph 67 of the report has to be amended.

26. In conclusion, we wish to emphasize that Singapore's trade policies and practices will continue to be based on our firm commitment to free trade and market forces. We are fully committed to a multilateral trading system operating under the GATT. We will cooperate fully to help strengthen the system which has served us and the world so well over more than four decades.

III. STATEMENT BY THE FIRST DISCUSSANT

27. The first discussant noted that to prosper Singapore had no other choice but to subscribe to free trade principles. Given the size of the country, its population and its limited natural resources, the main interest of Singapore lay necessarily outside its own turf. Domestic protection was completely irrelevant to Singapore's policy. Free trade policies had been vigorously pursued by Singapore without interruption.

28. Trade policies had been conducted to ensure that Singapore would continue to be a major trading partner, that its exports could compete in the world market, and that necessary supply of imports would not be disrupted. An open and fair world trading system was essential to the achievement of these objectives.

29. He asked for comments on how Singapore could identify new markets while defending existing markets and safeguard and diversify sources of imports. He queried about the rôle of the Government in effectively protecting export markets and the extent to which the private sector was influenced by Government agencies.

30. Singapore's few trade restrictions were maintained for health, public morale and environment-related reasons. Singapore's free trade policy was to be seen in the context of its policy objectives with regard to export competitiveness. The Government of Singapore provided a whole array of export and production incentives, such as tax concessions and export financing facilities. He noted that these incentives, being based on stringent conditions, could affect the allocation of resources in Singapore. He asked for comments on Singapore's experience in defending its existing export markets.

IV. STATEMENT BY THE SECOND DISCUSSANT

31. The second discussant noted that Singapore's rapid economic growth testified to the advantages to be derived from outward-oriented trade policies, coupled with institutional and monetary stability. The open and stable trade régime co-existed with considerable influence by the Government on crucial economic aggregates. The Government also participated in individual enterprises and provided seemingly generous tax incentives.

32. He asked for information on the Government's view with respect to certain current domestic constraints, such as shortage of labour. In the context of regional aspects, he referred to the recent agreement to create the ASEAN Free Trade Area, and the Growth Triangle concept.

33. Noting that Singapore's growth would continue to be closely intertwined with external policy developments, he emphasized Singapore's active participation in the Uruguay Round. The external trading environment was of crucial importance for Singapore.

34. Singapore did not operate any policy schemes with the aim of supporting specific industries. Its basic approach towards industry and services appeared non-discriminatory. Singapore strongly relied on price-related measures, as against quantitative restrictions, as a principal means of allocating scarce resources. A case in point was the tender mechanism for allotting textile export quotas among domestic producers.

35. In spite of Singapore's good record with respect to transparency, certain lack of information had not allowed the analysis of some policy aspects. In this connection, he asked for additional information on State participation in industry.

36. Noting Singapore's low level of tariff bindings and its initial proposal in the Uruguay Round to bind half of its tariffs at 20 per cent, he questioned whether this offer corresponded fully to the characteristics and possibilities of the Singapore economy. He raised the question of providing sufficient stability and predictability to trading partners.

37. Singapore maintained a stockpile scheme for rice, a staple food not produced domestically. He questioned the real need for maintaining a special import licensing system for rice, in particular considering that neighbouring countries were major rice producers.

38. Though the Singapore Government did not engage directly in countertrade, some companies were granted incentives to conduct such

transactions within Singapore. He asked about the future potential of countertrade in Singapore.

39. Noting that Singapore maintained an apparently complex system of sanitary and phytosanitary regulations, he raised the question whether it was possible to simplify this system.

40. He also asked for more information concerning certain selectivity in granting investment incentives.

(V) STATEMENTS AND QUESTIONS BY THE MEMBERS OF THE COUNCIL

41. The representative of Malaysia said that liberal trade and open market policies had contributed to the economic prosperity of Singapore. Despite its small size and the lack of natural resources, Singapore had emerged as a significant world trading partner. It was a model from which lessons could be drawn. Malaysia had benefited from the favourable trading environment of Singapore, which was its single largest trading partner.

42. He stressed Singapore's positive and constructive rôle in regional cooperation. It had actively promoted and supported various regional initiatives including the ASEAN Preferential Trading Arrangement and the ASEAN Free Trade Area. These initiatives were intended to contribute to the dynamism of the global economy.

43. Singapore had benefitted from the multilateral trading system. Singapore's active participation in the Uruguay Round negotiations was a proof of its strong and consistent support to the GATT system.

44. The representative of the Philippines noted that Singapore had become a dynamic economy through coherent policy-making involving a high degree of close interaction between the Government and the private sector. In assessing the Philippines' own economic performance, Singapore had served as a yardstick. His country looked forward to closer association with Singapore and other ASEAN countries.

45. Singapore had an open trade and investment régime. Import or export restrictions were non-existent; m.f.n. treatment was accorded to all trading partners; internal taxation was non-discriminatory; and there were no foreign exchange restrictions or export subsidies. Although Singapore had a very low level of tariff bindings, the country had always applied low tariffs, if not duty-free rates.

46. Given the size of its domestic market, the openness of the economy and a heavy dependence on exports, Singapore required a similarly open world trading system governed by multilateral rules. The Uruguay Round was a good opportunity to address this issue.

47. The representative of Indonesia, praising Singapore's open trade system and its maintenance of this policy over many years, believed that Singapore had been unfairly criticized for its low level of tariff bindings. Moreover, he was confident that Singapore was looking at its binding commitment.

48. He highlighted the importance of an open multilateral trading system for all ASEAN countries. Regional cooperation arrangements within ASEAN,

including the Free Trade Area, had been formulated in a manner so as to be GATT consistent.

49. The representative of Canada commended Singapore for the exceptional progress made in improving the competitiveness of Singapore's firms and products, and in raising the welfare of the population. Singapore's outward oriented and liberal trade policies had contributed importantly to this progress. He noted Singapore's strong dependence on international trade and its support for the GATT multilateral trading system.

50. Noting that in Singapore GNP per capita was higher than in certain OECD members, he questioned its continuing status as a developing country and its claim to special treatment in the GATT. He asked whether Singapore had any plan to relinquish its developing country status in the near future.

51. He noted Singapore's complete lack of competition policy and asked whether the country was considering the introduction of any policy measures to safeguard against restrictive business practices. He also asked for more information on the Government involvement in the private sector, and on the system of tax reductions for deposits in approved banks.

52. On the establishment of the ASEAN Free Trade Area, he sought information on timeframes, the nature and extent of concessions, and any intentions regarding eventual notification to the GATT.

53. While commending Singapore's very low tariffs, notably the large share of duty-free tariff lines, he noted that Singapore had bound less than one per cent of its tariffs. Bindings, whose purpose was to provide predictability, were extremely important for importers in the long term. Singapore's offer to bind around half of its tariff at 20 per cent was considered by Canada as not particularly impressive, when compared to applied rates and other commitments by recent GATT adherents. He encouraged Singapore to adopt a bolder approach to tariff bindings in the Uruguay Round negotiations. He also encouraged Singapore to adhere to the new Subsidies and Countervailing duties Code resulting from the Round.

54. He raised specific questions regarding the rice import licensing system and import statistics on Government procurement.

55. The representative of India found that there were only commendable features on Singapore's trade policies and practices. Noting Singapore's open and liberal trade régime and the dependence of the economy on international trade, he stressed the importance of an equally open multilateral trading system based on strengthened rules and disciplines. He noted the reference in the initial full report submitted by Singapore to

the problems encountered by its companies in gaining access to markets on account of a variety of measures, such as anti-dumping and countervailing actions, proliferation of product specific rules of origin, etc. and hoped that the Uruguay Round results would provide answers to some of Singapore's concerns, if not all.

56. The representative of the European Communities said that Singapore's economic development was a good example of the application of policies based on market principles. Singapore's economic success was based on an open trade and exchange system, and outward oriented strategy. Prudent financial policies and high investment rates had also contributed to this success. Outward oriented policies had permitted Singapore to become an important centre for world trade. He underlined the export dynamism of Singapore's manufactured products with high value added. Singapore was considered one of the most dynamic newly industrialized countries.

57. Singapore had confronted certain difficulties, which had resulted in the 1985 recession. The Government had been able to control inflationist pressures by encouraging productivity increases and economic restructuring. The Growth Triangle concept was a positive element in addressing some resource shortages.

58. With respect to trade measures, he underlined Singapore's free-trade orientation. Most imports benefited from duty-free entry, and quantitative restrictions were not imposed. The only import control measures were applied under the Montreal Protocol to protect the ozone layer and under the CITES Convention. However, he noted that binding covered only 0.5 per cent of tariff lines. He encouraged Singapore to increase the coverage of tariff bindings.

59. He expressed some disappointment concerning Singapore's offer in the Uruguay Round with regard market access and services negotiations.

60. The representative of New Zealand noted that Singapore's impressive economic development demonstrated the benefits of its open foreign trade régime. He welcomed Singapore's trade policies and practices. Singapore had shown that it did not see protectionism as a necessary condition for the development of its industry.

61. Certainty, one of the most important conditions for the commercial community in the trading relations between contracting parties, was provided in the GATT by bindings. The continuity of Singapore's present régime was by no means guaranteed because of the very low levels of bindings. Singapore's offer in the Uruguay Round was considered of little practical significance. Binding at a level considerably above the applied rate could create an additional insecurity. New Zealand encouraged

Singapore to increase the coverage of bindings at or close to existing applied rates.

62. He raised the question of the difference between the import duty levied on imported beer and the excise tax levied on domestic beer.

63. The representative of the United States praised Singapore for having one of the most open and liberal trading régimes in the world. Singapore's economic success was a tribute to the benefits of an open and liberal trading system. Its trade régime was free of trade-distorting features.

64. Welcoming Singapore's commitment to greater regional cooperation and integration through the ASEAN, he expressed his expectations that any resulting agreement would be GATT consistent. Singapore was committed to the multilateral trading system. Its participation in the Uruguay Round negotiations was a proof of this commitment. He expressed the hope that with the eventual successful conclusion of the Round, Singapore would adhere to all Tokyo Round MTN Codes.

65. While recognizing and praising the low level of tariffs levied by Singapore, he expressed concern about the very low level of bindings.

66. Singapore had stringent copyright and trademark laws designed to protect intellectual property. However, the United States believed that the enforcement of these laws were inadequate. The initiative for the enforcement of the laws was left to the private sector. He encouraged the Government of Singapore to take a more active rôle in this area.

67. He also raised questions regarding the maintenance of monopoly over basic telecommunications services, some restrictions on the sale of value-added network services, and the denial of national treatment to foreign firms in banking and financial services.

68. The representative of Australia congratulated Singapore for its commitment to an open trading system and for the concomitant record of sustained economic growth. Singapore's per capita income, comparable to many developed countries, should have certain implications for its status in the multilateral trading system.

69. He stressed that the stability of the tariff régime was undermined by the low level of bindings. Recalling that Singapore was a signatory to four Tokyo Round Agreements, he noted that its commitment to the multilateral system could be further enhanced through its joining the other MTN Codes.

70. The Singapore Government apparently intervened substantially in the economy. A range of tax incentives were granted for specific purposes. In this context, he underlined the scope for more transparency. Consensus building and consultation with the private sector, as pursued by the Singapore Government, did not substitute for an independent review body.

71. On services, he noted that certain measures discriminated against foreign competitors and ensured protection of the local services market.

72. He raised some specific questions concerning Singapore's trade practices. These included technical standards which could discriminate against foreign products, tax incentives to attract companies engaged in countertrade activities, and a ban on the production, trade and sale of chewing gum.

73. The representative of Japan appreciated Singapore's significant contribution towards the strengthening of an open and stable multilateral trading system. Since its independence, Singapore had promoted outward-oriented policies and enjoyed rapid economic growth.

74. He welcomed Singapore's economic cooperation with Indonesia and Malaysia through the Growth Triangle. Another regional aspect was the establishment of the ASEAN Free Trade Area. He expressed the hope that this agreement could be GATT consistent. He was concerned that member states could exclude specific products from the agreement and that the tariffs would not be eliminated but only reduced to a range of between 0 to 5 per cent within 15 years. In this respect he asked for an assessment on the economic effects expected by Singapore from the establishment of the AFTA, especially considering that intra-ASEAN trade had remained relatively small.

75. Singapore had actively participated in the Uruguay Round and had offered, in the market access negotiations, a large increase in tariff bindings. This offer would increase the predictability and stability of Singapore's open trade régime.

76. The representative of Finland, on behalf of the Nordic countries, said that Singapore had created one of the most dynamic economies in the world, with low inflation and virtually no unemployment. Economic growth had been based on a free trade policy which had been stable over the years.

77. Singapore actively participated in the Uruguay Round. She expressed the hope that the Round would be the opportunity for Singapore to increase its tariff bindings and accede to other MTN Codes.

78. Noting that the Government maintained many holding companies and statutory boards, she asked whether the Singapore Government was planning to reduce its participation in the economy.

79. The representative of Korea congratulated Singapore for its continued economic success, largely due to appropriate trade policies. Singapore's per capita earnings were enviably high, annual growth exceeded 8 per cent, inflation and employment remained low and its balance-of-payments remained positive. Singapore achieved economic success in close conformity with GATT rules and principles. Its trade régime was stable and predictable. In many ways, Singapore was a model GATT member.

80. Singapore was heavily reliant on international trade with certain developed countries. In this respect, he shared Singapore's concern about measures taken by these countries concerning anti-dumping and countervailing actions, and quantitative restrictions affecting developing countries' exports.

81. He expressed the hope that the ASEAN Free Trade Area, in which Singapore participated, would be GATT consistent.

82. The representative of Switzerland noted that Singapore was among the most dynamic economies in Asia. Annual growth rate had been around 8 per cent during the last 20 years. Singapore's merchandise trade had increased more rapidly than world exports. This economic success had been combined with low unemployment and inflation levels and a positive balance-of-payments. Trade policy had certainly played an important rôle in this achievement.

83. Noting that foreign investment in Singapore was considerable, she asked for comments on the low level of overseas investments by Singapore's companies.

84. She underlined that the stability and predictability of Singapore's trade régime could be strengthened by increasing the level of bindings.

85. She also referred to specific questions concerning a bilateral Trade and Investment Framework Agreement with the United States, the interaction between the private sector and the Government, and a newly-formed East Asian Economic Caucus.

86. The representative of Thailand gave some clarifications on the ASEAN Free Trade Agreement (AFTA). A Common Effective Preferential Tariff (CEPT) scheme was to be used to implement the AFTA within a timeframe of 15 years beginning 1 January 1993. The resulting tariffs would range between 0 to 5 per cent. All manufactured products including capital goods and

processed agricultural products were covered by the scheme. Accelerated tariff reductions would apply to fifteen groups of products (vegetable oils, cement, chemicals, pharmaceuticals, fertilizers, plastics, rubber products, leather products, pulp, textiles, ceramic and glass products, gems and jewellery, copper and cathodes, electronics, and wooden and rattan furniture). The Agreement would encourage economic and industrial restructuring and rationalization within ASEAN members. He considered it as GATT consistent.

87. The representative of Hong Kong noted that Singapore's trade policies and practices were similar to those of Hong Kong. He said that the TPRM was not the appropriate forum to discuss the issue of Singapore's developing country status. The development status of a country was a politically sensitive issue involving not only economic indicators.

88. The representative of Korea shared the view expressed by the representative of Hong Kong concerning the developing country status. He said that the self-election method should be retained.

VI. COMMENTS AND RESPONSES BY THE REPRESENTATIVE OF SINGAPORE

89. Singapore's economic performance in the last two decades resulted from a combination of various factors. First, an adherence to four basic principles: investment in human resources, improvement in the climate for enterprises, opening the economy to international trade and investment, and achievement of a right mix of macroeconomic policies. There were also a number of non-economic factors such as social and political stability and good responsible leadership. Singapore adopted a market-oriented economy in which the Government acted as facilitator in the economic development process. It also learnt from the successes of other countries, imported foreign capital, technology and management required for industrial development, and plugged into the global economic grid. Another contributing aspect was regional cooperation among ASEAN countries.

90. In Singapore's experience, competent intervention by Government which is subject to the discipline of market forces had proven to be successful for its economic development process. The rôle of the Government had been one of facilitation. High priority was placed on the provision of infrastructural facilities, human resource development and appropriate fiscal and monetary policies. This rôle had not involved using administrative guidelines to implement trade policies and regulations. The Government's influence on private savings, exchange rate and wages had not had an adverse effect on trade. Its participation in sectors like shipbuilding and petrochemicals was intended to lead the way into areas where the private sector was not in a position to do so because of heavy capital costs and high risks involved. The decision to participate in such industries was based on commercial considerations after feasibility studies, market research and consultation with the private sector.

91. Incentives for industrial development were part of Singapore's overall policy of facilitating structural adjustment, human resource development and a fiscal environment conducive to growth. They were generally available to both foreign and local firms, and were not targeted at specific sectors or product groups. Incentives were only meaningful to companies making profits.

92. The Government conducted regular dialogues with the private sector in the formulation and implementation of trade and economic policies. Private sector representatives served on the boards of statutory bodies. Singapore did not make use of administrative guidelines as a tool of trade policy.

93. The operation of market forces was considered by Singapore as the best safeguard against restrictive business practices. For Singapore, it was a moot point whether the existence of a competition policy was an effective measure against such practices.

94. There were few Singapore companies of sufficient size and capital to venture overseas. Singapore companies had invested mainly in neighbouring countries where they were more familiar with the operating environment and had good business linkages.

95. All licensed banks in Singapore, both local and foreign, were approved for receiving deposits from foreign investors who would not be liable to tax on the interest earned from such deposits.

96. The rice stockpile scheme had not restricted rice imports. Import licences were approved automatically and licensed importers could import rice without restriction as long as a certain proportion of their total imports was put into stock. Although neighbouring countries were major rice producers, adequate supply had to be ensured in the event of crop failure and other natural calamities and emergencies.

97. The ban on the import, sale and manufacture of chewing gum was introduced to prevent public nuisance.

98. Government procurement was based on open, competitive and transparent tendering procedures. This applied to all tenders exceeding S\$15,000 for goods and services, and S\$30,000 for works. Open tendering accounted for 85 per cent of the total number of tenders called, or 90 per cent of the value of tenders, excluding defence procurement contracts. Selective tenders accounted for only a small percentage of government purchases. Statistics on procurement by Singapore's two Government Procurement Agreement entities (Central Supplies Department and Public Works Department) were notified annually to the Government Procurement Committee.

99. Sanitary and phytosanitary regulations, applied in the interest of public health, were in line with international standards and had not impeded trade.

100. Countertrade practices had been used in the early 1980s by a number of Singapore's trading partners. Certain companies in Singapore had therefore to resort to such practices. The future of countertrade would depend on whether these countries could earn sufficient convertible currencies.

101. The openness of Singapore's trade régime was not determined by the level of tariff bindings. Singapore's history had shown that its liberal trade régime had remained consistently predictable and stable. Singapore had consistently maintained an open trade and tariff régime, despite the vicissitudes of the global economy, and had rejected pressures for protection when times were bad. The trade régime had not posed any market access problems to other contracting parties. The TPRM was not the forum

to negotiate tariff bindings. Singapore remained ready to negotiate the increase in its level of bindings in the context of the Uruguay Round.

102. Singapore did not think it critical to accede to all of the Tokyo Round MTN Agreements. Singapore was a signatory to four MTN Agreements, and accession to other Agreements would depend on its evaluation of the final Uruguay Round package.

103. Questions relating to services and TRIPs were outside the scope of the TPRM. They should be addressed in the Uruguay Round negotiations.

104. Singapore firmly supported the multilateral trading system with the GATT being the cornerstone of Singapore's trade policies. It also supported bilateral, regional and plurilateral trade initiatives which were complementary to the multilateral trading system and consistent with GATT liberalization objectives. Singapore's commitment to an open multilateral trading system was complemented by its effort to develop regional cooperation. The Growth Triangle sought to bring about greater economic cooperation among Singapore, Indonesia and Malaysia by harnessing the complementary strengths of the three countries and creating an environment conducive to inflow of investments and technology from outside the region. The Growth Triangle had also spurred developments in the services sector, such as tourism and leisure facilities.

105. The ASEAN Free Trade Area (AFTA) was not intended to divert trade from third countries but to enhance ASEAN's economic growth and its linkages with the world economy. The AFTA was GATT consistent.

106. The East Asian Economic Caucus (EAEC) was intended to foster inter-action among the East Asian countries and provide a forum coordinating and developing views on issues of mutual interest. Singapore supported this forum on the basis it was consistent with the GATT, did not dilute ASEAN's identity and complemented APEC.

107. The Singapore-United States Trade and Investment Framework Agreement (TIFA) provided a framework of principles and procedures for consultations on trade and investment relations between the two countries. It was intended to monitor the bilateral trade and investment relations and to identify opportunities for their expansion.

108. Concerning its developing country status, Singapore was of the view that neither the TPRM nor the GATT were the appropriate forum to pass judgement on a contracting party's development status. The TPRM reviews were not intended to serve as a basis for the enforcement of specific GATT obligations or for dispute settlement procedures or to impose new policy commitments on contracting parties. The development status of a country

had to be considered in a broader political, economic and social context. It was a highly political and sensitive issue with implications which went beyond the GATT and the Uruguay Round. Singapore fully agreed with the views expressed by Hong Kong and Korea in this respect. Singapore fully met its GATT obligations, including prompt payment of GATT contributions which were based on Singapore's share of the value of international trade. Singapore was fully conscious of its rôle and responsibilities in the GATT and its place in the international trading system.

VII. CONCLUDING REMARKS BY THE CHAIRMAN

109. The Council has conducted the first review of the trade policies and practices of Singapore. These remarks, made on my own responsibility, summarize the salient points emerging from the review. They are not intended to substitute for the full discussion and assessment by the Council, which will be reflected in the minutes of the meeting.

110. In his introductory statement, the representative of Singapore noted that the country's economic development over the past 30 years had been based on a liberal and open trade and investment system. Most imports entered Singapore free of tariffs and domestic industries were not protected by non-tariff barriers. The rôle of the Government was mainly to encourage the private sector to become internationally competitive. As an export-oriented economy, Singapore was vulnerable to economic downturns and protectionist measures in its major markets. Singapore remained firmly committed to the GATT-based multilateral trading system and sought a successful conclusion to the Uruguay Round negotiations. It had consistently maintained an open trade régime and had rejected pressures for protection even during difficult times. In the regional context, Singapore was working closely towards the creation of the ASEAN Free Trade Area.

111. Participants recognized Singapore's economic success. Outward-oriented policies and social and institutional stability were the roots of its impressive economic development. Singapore's trade régime testified to the benefits to be derived from liberal international trade. M.f.n. treatment was the general rule. Singapore imposed very few tariffs or import restrictions.

112. Noting that Singapore's per capita GDP was higher than in certain developed countries, some members questioned the need for its continuing status as a developing country in GATT. Other members took the view that the status of a country was dependent on many economic, social and political considerations and that the TPRM was not the appropriate forum to discuss this issue.

113. Participants recognized that the external trading environment was crucial to Singapore. Particular concerns included export restrictions, anti-dumping and countervailing actions. Several members underlined the need for a successful conclusion to the Uruguay Round in this context.

114. Singapore's positive contribution to regional integration was welcomed. Particular reference was made to the "Triangle of Growth" concept linking Singapore to certain regions of Malaysia and Indonesia.

115. The sole exception to m.f.n. treatment was for preferences granted within ASEAN. In this connection, attention was drawn to the recent agreement on an ASEAN Free Trade Area (AFTA). Participants looked forward to the notification of the agreement to the GATT. Questions were raised regarding the timeframe for implementation and the nature and coverage of concessions. Some participants, noting that not all products were included in the agreement, emphasized that it should be fully GATT-consistent and avoid trade diversion.

116. Singapore relied strongly on price-related measures to allocate scarce resources. The tendering system for quotas on restrained exports under bilateral agreements was a case in point.

117. Although most imports entered Singapore duty-free, the level of GATT bindings was very low. A number of participants considered Singapore's conditional offer in the Uruguay Round, to bind half of its tariffs at 20 per cent, as having little practical significance. They encouraged Singapore to bind a substantial proportion, if not all, of its tariffs at, or near, the existing applied rates, to provide effective guarantees for third countries in the event of any tariff increase. Singapore was also encouraged to sign all the MTN Agreements.

118. Government participation in the economy, in particular through holding companies, was mentioned. Information was sought on policies for investment and export promotion. Attention was also drawn to the links between the Government and the private sector in policy formulation and implementation. One delegation referred to the need for an independent policy review body.

119. In addition, clarification was sought on the following aspects:

- the difference between the applied import duty and the domestic excise tax on beer;
- the special import licensing requirement for rice and the operation of the rice stockpile scheme;
- the ban on the import, sale and manufacture of chewing gum;
- the share of imports in Government procurement;
- Singapore's policy towards countertrade, including incentives for establishment of countertrade agencies;
- the absence of competition policy;
- the low level of overseas investment by Singapore companies;
- Singapore's bilateral trade and investment agreement with the United States;
- enforcement of Singapore's strict intellectual property legislation;
- the maintenance of a State monopoly in basic telecommunication services and restrictions in other areas of this sector; and

- national treatment in financial services.

120. Responding, the representative of Singapore said that the country's economic success resulted from investment in human resources, improvement in the climate for enterprises, opening the economy to international trade and investment, and the right mix of macroeconomic policies. Political, geographical and socio-cultural factors had also contributed. In addition, regional cooperation within ASEAN had assisted in promoting stability, economic advancement and prosperity.

121. The Government's influence on private savings, the exchange rate and wages had not hampered trade, but had helped in achieving non-inflationary economic growth. Government participation in sectors like shipbuilding and petrochemicals was to encourage development in areas where private sector involvement was inhibited by heavy capital costs and high risks. Singapore's incentive programmes were available to foreign and local firms. They were not targeted at specific sectors or product groups.

122. In the formulation and implementation of trade and economic policies, the Government conducted regular, wide-ranging dialogues with the private sector, whose representatives served on the boards of many statutory bodies. Administrative guidelines were not used to implement trade policies.

123. The operation of market forces was the best safeguard against restrictive business practices; in Singapore's view, it was a moot point whether competition policy was effective against such practices.

124. There were few Singapore companies of sufficient size and capital to venture overseas. Singapore enterprises had, so far, invested mainly in neighbouring countries.

125. All licensed banks, both local and foreign, were approved for placing foreign deposits without tax on interest earned.

126. The rice stockpile scheme did not restrict imports. Licences were approved automatically and licensed importers could import rice freely, as long as they stockpiled a certain proportion of their total imports. Adequate supply for domestic consumption must be ensured in the event of crop failure, other natural calamities, or emergencies.

127. The ban on the import, sale and manufacture of chewing gum was introduced to prevent public nuisance.

128. Public procurement procedures were based on open, competitive and transparent tendering. This applied to all tenders exceeding S\$15,000 for

goods and services and S\$30,000 for works, and accounted for 85 per cent of the tenders called. Selective tendering accounted for only a small percentage of government purchases. Statistics on procurement by Singapore's two Government Procurement Agreement entities - Central Supplies Department and Public Works Department - were notified annually under the Code.

129. Sanitary and phytosanitary regulations were in line with international standards and did not impede trade.

130. Countertrade had been used in the early 1980s by a number of Singapore's trading partners which were not in a position to pay for imports in convertible currencies. The future potential of such trade depended on convertible currency earnings by these countries.

131. Ninety-six per cent of all imports currently entered Singapore free of tariffs and other border measures. Singapore's trade régime had not posed any market access problems to other contracting parties. It remained ready to negotiate an increase in its level of bindings in the Uruguay Round. Similarly, Singapore's accession to MTN Agreements would depend on its evaluation of the final Uruguay Round package.

132. Questions relating to services and TRIPS were outside the scope of the TPRM. They should be addressed in the Uruguay Round.

133. Singapore firmly supported the GATT-based multilateral trading system. Bilateral, regional and plurilateral trade initiatives were complementary to the system and consistent with GATT's liberalization objectives. The Growth Triangle sought to bring about greater economic cooperation among Singapore, Indonesia and Malaysia by harnessing the complementary strengths of the three countries and creating an environment conducive to inflow of investments and technology. The ASEAN Free Trade Area (AFTA) was not intended to divert trade from third countries but to enhance ASEAN's economic growth, promote economies of scale, and develop greater integration into the world economy. The East Asia Economic Caucus was a forum in which countries could co-ordinate and develop views on issues of mutual interest.

134. The Singapore-United States Trade and Investment Framework Agreement (TIFA), provided a framework for consultations with a view to expanding trade and investment between the two countries.

135. Neither the TPRM nor the GATT was the forum to pass judgement on a party's development status. Such sensitive questions were to be considered in the broader political, economic and social context. Singapore was fully

conscious of its rôle and responsibilities in the GATT and its place in the international trading system, and fully met its obligations.

136. In conclusion, the Council strongly commended Singapore for its liberal trade policies. Together with a stable social and macroeconomic environment, these had laid the ground for the country's impressive economic development. Singapore's steadfast commitment to this approach was an outstanding example of open trade practices.

137. While Singapore's rôle in GATT and its contribution to the Uruguay Round were highly appreciated, the expectation was expressed that Singapore could take further steps to bind, and thus ensure the predictability of, its tariff régime.

138. The Council welcomed Singapore's positive involvement in new forms of regional economic cooperation, which should be fully consistent with the strengthened multilateral trading system expected to result from the Uruguay Round. A positive outcome of the Round was crucial to safeguarding Singapore's prosperity and paving the way towards continued economic expansion.