SUMMARY

1. Singapore's economy has performed well since its last trade policy review in 2012, although the pace of growth has been more moderate than in the previous review period. The rate of economic growth averaged 3.6% per year during 2012-15, along with low inflation and low unemployment (both averaging around 2% annually). The Government expects the economy to grow by 1-3% in 2016.

2. For several years now, Government policy has focused on encouraging an economic restructuring from labour-intensive growth towards innovation and productivity-led growth. Since 2010, an incentive structure has been put in place to encourage skill-enhancing investments in the workforce and labour-saving technologies. At the same time, some measures are intended to reduce reliance on foreign workers, while improving opportunities for Singaporeans.

3. Openness to trade and investment remains the key feature of Singapore's trade policy, as the country's trade (goods and services) reaches nearly four times the size of annual GDP. A large volume of this is entrepôt trade – almost half of merchandise exports in 2014 were re-exports. Singapore's trade is underpinned by a network of 21 regional and bilateral free trade agreements (FTAs) with 32 trading partners. Merchandise trade with preferential trading partners accounted for about 80% of Singapore's imports and 74% of exports in 2014.

4. Since the last review, three new FTAs – with Costa Rica, the Gulf Cooperation Council, and Chinese Taipei – have come into force. The recently-concluded FTAs with the European Union and Turkey, as well as the Trans-Pacific Partnership Agreement (TPP), are not yet in force. Regional integration within ASEAN has taken a step forward with the establishment of the ASEAN Economic Community (AEC) in 2015, which aims to create a single market with a free flow of goods, services, and investment among its 10 member countries.

5. There have been no major changes in Singapore's investment regime. The few foreign investment restrictions are mainly in retail banking, legal services, broadcasting services, and some government-linked companies (GLCs). FDI inflows increased to US$72.1 billion in 2014 (up from US$46.8 billion in 2011) and were mainly in financial and insurance services (47.5%).

6. Singapore has been a steadfast advocate of the rules-based multilateral trading system and promotor of trade liberalization in the WTO. It has participated in plurilateral initiatives, such as the expansion of the Information Technology Agreement. Singapore was one of the first WTO Members to deposit its instrument of acceptance of the Trade Facilitation Agreement. It has notified all the provisions under its Category A commitments and is to implement them immediately upon entry into force of the Agreement. Singapore operates its Trade Facilitation and Integrated Risk-based System (TradeFIRST), whereby Customs accords trade facilitation measures to companies under a five-tiered scheme (from basic to premium).

7. Almost all products enter duty-free under the applied MFN tariff regime, except for six tariff lines (beer and some other spirits), which are subject to specific duties. On the other hand, only about 70% of Singapore's tariffs are covered by tariff bindings, with a simple average bound rate of 6.9%. Excise duties were increased in 2013-15 on tobacco products, alcoholic beverages, and some petroleum products; the rates for motor vehicles remain unchanged. Import controls are maintained by various administering agencies mainly for health, safety, security and environmental reasons, or under international agreements. The control regimes for goods subject to import prohibition and automatic or non-automatic licensing remain unchanged.

8. The transparency of Singapore's trade regime is enhanced by regular notifications to WTO bodies and committees. Singapore has introduced a number of changes to its SPS requirements, as notified to the SPS Committee. The BSE-related import restrictions (i.e. six years of non-detection of BSE before re-establishing trade with a country) have been replaced by requirements based on OIE guidelines. The TBT regime remains substantially unchanged. A specific trade concern was raised in the TBT Committee regarding Singapore's announcement that it would consider a plain packaging requirement for tobacco products. A public consultation on this matter was held until March 2016; its outcome is pending.

9. Export controls are implemented mainly for health, safety, security, or environmental reasons or to fulfil international commitments. Singapore does not apply export taxes. To promote exports, Singapore provides grants and tax incentives, and subsidizes insurance premiums to facilitate companies' access to trade finance.

10. Singapore has a wide array of tax and non-tax incentive schemes, some of which have benefited from "enhancements" during the period under review. There are horizontal incentives such as the Productivity and Innovation Credit (PIC), and incentives for research & development or headquarter establishment in Singapore, as well as programmes designed for particular activities or sectors such as financial services and maritime services. However, information regarding budgetary expenditures, as well as revenue foregone (tax expenditures) related to Singapore's incentive schemes, is not readily available. Singapore regularly informs the WTO that it does not provide any notifiable subsidies under WTO rules on subsidies.

11. Government-linked companies (GLCs) are active in a range of sectors through the Government's holding company Temasek, which manages its investments in GLCs. Temasek receives no subsidies or special consideration from the Government by virtue of ownership, according to the authorities. Singapore has notified the WTO that it does not maintain any state trading enterprises.

12. Singapore's economy-wide competition regime is relatively new. Established in 2004, the Competition Commission of Singapore (CCS) has stepped up in its enforcement activities during the review period with a number of infringement decisions against anti-competitive practices. Following the recommendation of the CCS, Singapore has extended a block exemption for liner shipping agreements until end-2020.

13. Singapore's government procurement procedures remain unchanged. As a party to the revised WTO Agreement on Government Procurement, Singapore's new liberalizing commitments now cover "executive search services". In the area of intellectual property, Singapore has modified its patent regime from self-assessment to a positive patent grant system, whereby patent applications have to meet the patentability criteria of novelty, inventiveness and industrial applicability before a request can be made.

14. The manufacturing sector remains an important pillar of the economy with around 20% of nominal GDP in 2015. The Government is supportive of a strong manufacturing base, whilst it favours a restructuring towards higher value-added, capital-intensive industries. The authorities consider that the manufacturing sector has positive spill-over effects on the rest of the economy, including improving the economy's resilience in global economic downturns. The contribution of agriculture and fisheries to the economy is negligible.

15. Services contributed about 69% to GDP in 2015, led by wholesale and resale trade (16%), followed by business services (15%), and financial and insurance services (13%). Singapore is a net importer of services.

16. In the area of financial services, Singapore's laws do not distinguish operationally between foreign and domestic banks, except in retail banking. Foreign retail banks are subject to limitations on the number of places of business (branches and ATMs) that they may operate. Those foreign retail banks benefiting from Qualifying Full Bank (QFB) privileges are allowed to operate a total of 25 places of business and may enter into a mutual agreement to share one ATM network. Ten foreign full banks have been awarded QFB privileges (end-2015).

17. Over 5,000 maritime service companies are established in Singapore, including more than 130 international shipping groups, banks with shipping portfolios, shipbroking firms, marine insurance companies, and law firms with maritime practices. The Government's maritime policy aims to strengthen Singapore's competitiveness as an international maritime centre and transhipment port with infrastructure investments ahead of demand, underpinned by incentive schemes that are tailored to the needs of the maritime industry. In air transport, the Government actively pursues the negotiation of new or expanded air services agreements to strengthen Singapore's position as an air hub. Its network of bilateral air services agreements spans 130 countries, over 60 of which are open skies agreements. At Singapore's Changi Airport – one of Asia's principal air hubs – major expansion works are in the pipeline.

18. In the area of legal services, the regulatory framework has been modernized, which has led to the establishment of the Legal Services Regulatory Authority and the Singapore International Commercial Court. Singapore has a liberal regime for the practice of foreign and international law. The practice of Singapore Law by foreign law firms and foreign lawyers, on the other hand, is restricted and depends on the type of licence. A Qualifying Foreign Law Practice licence allows the practice of Singapore law in permitted areas of legal practice, essentially commercial law. As at March 2016, nine foreign law practices had been licensed under this scheme.

19. Singapore has been a model of development for decades as it has successfully developed into a high-income country with a GDP per capita of nearly US$53,000 in 2015. To a large extent, growth has been based on an open and transparent trade and investment regime using Singapore's location as an advantage. Nevertheless, the Government is taking steps to restructure the economy towards innovation-led growth and higher productivity. Recently, the Government created a Committee on the Future Economy with the task of charting a course for Singapore's economic transformation beyond 2016 and helping to pick future growth industries.