

GENERAL AGREEMENT ON

RESTRICTED

L/6303

1 February 1988

TARIFFS AND TRADE

Limited Distribution

Original: English

UNITED STATES - WITHDRAWAL OF SINGAPORE FROM GENERALIZED SYSTEM OF PREFERENCES

Communication from Singapore

The following communication, dated 1 February 1988, has been received from the Permanent Mission of Singapore.

I would be very grateful if you could circulate the attached text of the Statement by the Singapore Government issued on 29 January 1988 on the United States' withdrawal of Singapore from its GSP, to the contracting parties.

The Government of Singapore is extremely disappointed with the decision of the Administration to graduate Singapore from the US GSP programme with effect from January 1989. Singapore's disappointment is based upon the following considerations.

2 First, in January 1987, the Administration affirmed Singapore's GSP status and awarded Singapore with a favourable package of GSP benefits. This was in recognition of Singapore's responsiveness to US Government and US business concerns relating to the protection of US intellectual property as well as Singapore's clean record of free and fair trade.

3 Second, on September 23, 1986, at the completion of bilateral consultations held in connection with the General Review of the GSP programme, the Administration promised to award a favourable package of GSP benefits to Singapore, effective July 1, 1987, if Singapore undertook certain

./.

specified actions with respect to copyright protection. The Singapore Government proceeded to undertake and implement each of the actions requested and, as agreed, received the more favourable package of GSP benefits on July 1. Now, less than seven months later, we are told that the US Government is not only rescinding the more favourable GSP package we bargained for, but is removing our GSP status altogether. The decision to graduate Singapore in January 1989 would undermine the promises of good faith and predictability which underlie US-Singapore economic relations.

4 Third, at a time when the US is making efforts to encourage its trading partners to open up their markets and to reduce or eliminate their unfair trade practices, the US would be sending the wrong signal by the accelerated graduation of a free trading nation such as Singapore. 96% of US exports to Singapore enter its market duty-free compared to 76% of Singapore's exports to the US. Removal of US GSP benefits from Singapore would reduce this figure to 45%. This imbalance of market access needs to be corrected not made worse.

5 Fourth, Singapore has enjoyed a trade surplus with the United States only since 1984. Prior to 1984 the balance of trade was in the US favour. In 1986, US trade deficit with Singapore was \$1.5 billion, less than 1% of the total US trade deficits. It should also be noted that 52% of Singapore's exports to the US are from American corporations, a major part of which consists of components which help to make American final products more competitive in the world market.

6 Fifth, Singapore has not contributed to the global trade imbalance by pursuing a single-minded policy to export. Singapore has always run a balance of trade deficit with the world. In 1986 the deficit amounted to S\$6.6 billion, approximately 17.5% of GDP. Despite this Singapore has not engaged in protectionist practices but has continued to maintain its free trade regime.