SINGAPORE

INVESTMENT CLIMATE

REPORT

Revised – August 2, 2003

INVESTMENT POLICY SUMMARY

Foreign investments, combined with investments through government-linked companies (GLCs), underpin Singapore's open, heavily trade-dependent economy. With the exception of restrictions in the financial services, professional services, and media sectors, Singapore maintains an open investment regime.

The government is strongly committed both to maintaining a free market and to taking a leadership role in planning Singapore's economic development. That role has traditionally relied heavily on industrial policy; the government's active use of the public sector as both an investor and catalyst for development has given rise to the characterization of Singapore as 'Singapore Inc.' The dominant role of GLCs in the commanding heights of the economy has been criticized by some observers, who charge it has displaced private entrepreneurship. In the midst of its worst unemployment in 15 years and coping with structural changes in the employment market, the government is now stressing measures to encourage such entrepreneurship, while still continuing a heavy state role in the economy.

Attracting foreign investment into the country - initially to spearhead industrialization and subsequently to climb the technological and value-added ladders - has been the other key economic strategy of the government. Through it, Singapore has evolved into a base for multinational companies (MNCs) to engage in high-end manufacturing and product development, and coordinate regional procurement, production, marketing, and distribution operations. Singapore continues to have a sophisticated investment promotion strategy designed to attract major investment in knowledge-intensive manufacturing and service activities.

The Economic Development Board (EDB), Singapore's investment promotion agency, has a reputation for being highly responsive to changing business conditions and investor needs.

OPENNESS TO FOREIGN INVESTMENT

The country's legal framework and public policies are in general very friendly to foreign investors. Foreign investors are not required to enter into joint ventures or cede management control to local interests, and local and foreign investors are subject to the same basic laws. Apart from regulatory requirements in some sectors (financial and telecom services), the government screens investment proposals only to determine eligibility for various incentive regimes. Singapore places no restrictions on reinvestment or repatriation of earnings or capital. The judicial system upholds the sanctity of contracts, and decisions are effectively enforced.

LIMITS ON NATIONAL TREATMENT AND OTHER RESTRICTIONS

Exceptions to Singapore's general openness to foreign investment exist in broadcasting, the domestic news media, retail banking, legal and other professional services, multi-level marketing, and property ownership. In addition, under Singapore law, corporate Articles of Incorporation may include shareholding limits that restrict ownership by foreign persons. Some, but not many, companies include such shareholding restrictions.

Telecommunications

On April 1, 2000, Singapore removed all barriers limiting foreign entry to the telecommunications sector. Any foreign or domestic company can provide facilities-based (fixed line or mobile) or services-based (local, international and callback) telecom services. The former monopoly telecom service provider, Singapore Telecom (SingTel), which is around 75% government-owned, faces competition in all market segments. However, there have been concerns that SingTel charges other operators anticompetitive prices for the use of local leased circuits. The US-Singapore FTA will ensure that U.S. telecom service providers obtain the right to interconnect with networks in Singapore on terms, conditions and cost-oriented rates that are transparent and reasonable.

Media

The local free-to air broadcasting, cable and newspaper sectors are effectively closed to foreign firms. Section 47 of the Singapore Broadcasting Authority (SBA) Act restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to less than 49%, although the Act also gives the Media Development Authority, which replaced the Singapore Broadcasting Authority on January 1, 2003, authority to waive the requirement. The government also imposes limits on individual equity stakes in broadcasting companies. Part X of the Broadcasting Act, states that no person shall, without prior approval, hold more than 5% of the shares issued by a broadcasting company (the limit was 3% before 2002).

The Newspaper and Printing Presses Act restricts equity ownership (local or foreign) to 5% per shareholder (raised from 3% in mid-2002), without approval from the Government, and requires that all the directors of a newspaper company be Singapore citizens. The Act defines "newspaper" broadly in the Act as "any publication containing news, intelligence, reports of occurrences, or any remarks, observations or comments...printed in any language and published for sale or free distribution." Newspaper companies must issue two classes of shares, ordinary and management, with the latter only available to citizens of Singapore or Singapore companies who have been approved by the Government. Holders of management shares have an effective veto over selected board decisions.

In practice all current local radio and television broadcasters are government-owned or government-linked. Currently, Singapore Press Holdings and MediaCorp are the two principal newspaper licensees and broadcasting licensees. Prior to 2000, SPH held the principal newspaper license and MediaCorp the only broadcasting license; now each company operates in both sectors. The exclusivity given to Singapore Cable Vision (SCV) as the sole provider of pay television services ended on June 30, 2002. In 2003, the Media Development Authority announced a tender for a second pay television license.

Banking

In 1999, the government embarked on a five-year financial sector liberalization program to promote Singapore as an international financial center. Since then, the government has removed the 40% ceiling on foreign ownership of local banks, although it has reiterated that it is not prepared to approve any foreign acquisition of a local bank, and acquisition of 5%, 12% or 20% or more of the voting shares of a local bank requires the approval of the Minister of Finance. Also as part of the liberalization program, the government has granted "qualifying full bank" (QFB) licenses to six foreign banks. A QFB license allows these banks to operate up to 15 customer service locations (branches or off-premise ATMs), up to ten of which can be branches; to relocate freely existing branches; and to share ATMs among themselves. They can also provide electronic funds transfer point-of-sale debit services, accept Central Provident Fund (CPF) fixed deposits and provide Supplementary Retirement Scheme and CPF Investment Scheme accounts. In December 2002, the government removed the 20% aggregate foreign shareholding limit on finance companies, although officials say they do not intend to allow a foreign firm to acquire a local finance company. In May 2003, MAS awarded Wholesale Bank licenses to eight banks, signaling the completion of the second phase of the banking liberalization program.

Despite liberalization, foreign banks in the domestic retail banking sector still face significant restrictions and are not accorded national treatment. Aside from the limit on the number of foreign QFBs and their customer service locations, the foreign QFBs are not allowed to access the local ATM networks, a major competitive disadvantage. Local retail banks do not face similar constraints. Customers of foreign banks are also unable to access their accounts for cash withdrawals, transfers, bill payments at ATMs operated by banks other than their own.

The US-Singapore FTA will remove the limits on the number of QFB and wholesale bank licenses issued to U.S. banks, the number of customer service locations operated by U.S. QFBs, and access to the local ATM network.

Securities and Asset Management

As of January 2002, all trading restrictions formerly placed on foreign-owned stockbrokers were removed. Legislation which took effect in October 2002 allows for the direct registration of foreign mutual funds, provided the prospectus is from an entity registered as a foreign company in Singapore and the fund is approved by the MAS. Formerly, foreign mutual funds had to be registered with the Registry of Companies and Businesses. In practice, this means that foreign mutual funds had to be registered twice, once in the country of origin and again in Singapore. The US-Singapore FTA relaxes conditions that foreign asset managers must meet in order to offer products under the CPF Investment Scheme.

Legal Services

Foreign law firms with offices in Singapore face significant restrictions, and are unable to practice Singapore law, cannot employ Singapore lawyers to practice Singapore law, and cannot litigate in local courts. In general, foreign law firms and foreign lawyers can only advise clients on the laws of their home country or international law; most foreign law firms have set up offices in Singapore mainly to advise multinational clients on third country matters or financial transactions in Singapore's offshore market.

U.S. law firms can only provide legal services in relation to Singapore law through a Joint Law Venture or Formal Law Alliance with a Singapore law firm, subject to a series of conditions and requirements. Joint law ventures are for work in banking and finance, and foreign lawyers in such associations may practice Singapore law if they are registered to do so by the Attorney General, but they are not allowed to do litigation. Formal alliances allow foreign lawyers to prepare all the documents relating to matters not exclusively concerning Singapore law. The US-Singapore FTA relaxes conditions on the formation of joint law ventures between U.S. and Singapore law firms.

With the exception of law degrees from certain UK/Australian/New Zealand universities, no foreign university law degrees are recognized for purposes of admission to practice law in Singapore. The US-Singapore FTA will result in Singapore recognizing degrees from four U.S. law schools.

Engineering and Architectural Services

Professional engineering firms also face restrictions. While engineering firms can be 100% foreign-owned, the chairman and two-thirds of the firm's board of directors must comprise engineers, architects, or land surveyors registered with local professional bodies. Professional engineering work in Singapore must be under the control and management of a director of the corporation who: (1) is a registered owner of at least one share of the corporation if it is an unlimited corporation; (2) is a registered professional engineer ordinarily resident in Singapore; and (3) has a valid practicing certificate. In the case of a partnership, only registered engineers may have a beneficial interest in the capital assets and profits of the firm, and the business of the partnership must be under the control and management of a registered professional engineer who ordinarily resides in Singapore. Similar requirements apply to architectural firms. The US-Singapore FTA reduces the Board of Director requirements for architectural and engineering firms to 51%.

Real Estate

There are restrictions on foreign ownership of real estate in Singapore. Under the Residential Property Act, foreigners may purchase freehold condominiums, but are not permitted to own landed homes (houses) and apartments in buildings of fewer than six stories, unless approval is first obtained from the Minister of Law. Such approvals are granted very selectively; an example where approval may be granted is a foreign MNC buying properties to house its executives. There are no restrictions on foreign ownership of industrial and commercial real estate.

SCREENING MECHANISMS

There is no overarching vetting requirement for foreign investment, although investments in certain sectors require the advance approval of certain regulatory agencies. For example, telecom firms must be licensed by the Infocommunciations Development Authority (IDA), while firms in the financial services sector require approval by the Monetary Authority of Singapore (MAS). In both cases, license approval is not automatic, and may depend on agreement to performance requirements or commitments to transfer certain additional functions to Singapore. MAS meets with applicants both before and during the period of documentary processing, to discuss their applications.

CONVERSION AND TRANSFER POLICIES

Singapore places no restrictions on reinvestment or repatriation of earnings and capital, and maintains no significant restrictions on remittances, foreign exchange transactions and capital movements. The US-Singapore FTA reflects the shared commitment of the U.S. and Singapore to the free transfer of capital, unimpeded by controls.

(Note: See the section on Efficient Capital Markets for a discussion of certain restrictions on the borrowing of Singapore Dollars (SGD) for use offshore..)

EXPROPRIATION AND COMPENSATION

To date, there have been no significant disputes between the government and foreign investors. The government has not taken expropriatory actions against foreign investors and there are no laws that force foreign investors to transfer ownership to local interests.

Singapore has signed investment promotion and protection agreements with a wide range of countries (see “Bilateral Investment Agreements,” below). These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization for an initial period of 15 years and continue thereafter unless otherwise terminated.

The US-Singapore FTA contains strong investor protection provisions related to expropriation and due process, and the right to receive a fair market value for property in the event of an expropriation.

DISPUTE SETTLEMENT

Singapore has institutionalized and internationalized arbitration through the creation of arbitration bodies and ratification of international conventions. The Singapore International Arbitration Center (SIAC), a non-profit organization, was set up in 1991 to promote the settlement of disputes by arbitration and conciliation. In April 2002, Singapore abolished the withholding tax for income derived for arbitration work done in Singapore by foreign arbitrators, making such income tax-free in Singapore. In early 2003, the SIAC formed an alliance with the Singapore Business Federation to expedite commercial dispute resolution through arbitration. Mediation or conciliation is also actively promoted in Singapore by the Singapore Mediation Center (SMC) which has a high rate of success in settlement of disputes including those involving foreign investors. Both the SMC and the Subordinate Courts have also developed virtual Internet-based dispute resolution processes.

In Oct 2001, Singapore adapted the UNCITRAL Model Law for domestic arbitration, through the enactment of the Arbitration Act 2001. The International Arbitration Act was also amended on October 2001 to ensure that the Act remains consistent with internationally recognized principles of arbitration law. Singapore ratified the recognition and enforcement of Foreign Arbitration Awards (New York, 1958) on 21 August 1986; and the International Convention on the Settlement of Investment Disputes on 13 November 1968.

An alternative dispute resolution process for Internet domain names registered in Singapore was also established in 2001. Called the Singapore Domain Name Dispute Resolution Policy (SDRP), it is modeled after ICANN's UDRP (Uniform Domain Name Dispute Resolution Policy).
All core obligations of the US-Singapore FTA will be subject to the dispute settlement provisions of the Agreement. The dispute settlement procedures promote compliance through consultation and trade-enhancing remedies, rather than rely solely on trade sanctions. The procedures also set new and higher standards of openness and transparency.

PERFORMANCE REQUIREMENTS/INCENTIVES

In general, Singapore complies with WTO TRIMS obligations. However, in a number of past cases the approval of licenses in the facilities-based telecom sector and the retail banking sector has been conditioned on performance requirements or the transfer/development of certain functions to Singapore. The US-Singapore FTA prohibits and removes certain performance-related restrictions on US investors, such as limitations on the number of locations.

In all cases where a foreign investor requests investment incentives, the company’s track record, the amount of its investment, and its contributions to Singapore’s goal of becoming a knowledge-based economy become important considerations in the selection process.

There are no discriminatory or preferential export or import policies affecting foreign investors. The government does not require investors to purchase from local sources or specify a percentage of output for export. The government also does not require local equity ownership in the investment. There are no general rules forcing the transfer of technology. Foreign investors face no requirement to reduce equity over time and are free to obtain their necessary financing from any source.

Employment of host country nationals is not required. Visa and residency policies are generally foreign-investor friendly. While the government discourages dependency on unskilled foreign labor (by setting quantitative limits and imposing special monthly levies), it actively seeks to attract highly-skilled foreigners to work in Singapore, including by offering companies a double tax deduction on approved hiring and relocation expenses related to hiring talent from abroad.

RIGHTS TO PRIVATE OWNERSHIP AND ESTABLISHEMNT/INCENTIVES

Foreign and local entities may easily establish, operate, and dispose of their own enterprises in Singapore. Except for representative offices, where foreign firms maintain a local representative but do not conduct commercial transactions in Singapore, there are no restrictions on carrying out remunerative activities.

All businesses in Singapore must be registered with the Registry of Companies and Businesses. Foreign investors can operate their businesses in one of the following forms:

- Sole proprietorship: an individual operating as a sole trader regulated under the Business Registration Act with a manager who can be a Singapore Citizen or foreigner with right of residence in Singapore (e.g. Employment Pass holder or Singapore Permanent resident);
- Partnership: two to 20 persons, regulated under the Business Registration Act;
- Incorporated company: which could be a private or public company limited by shares or guarantee, or as an unlimited company regulated by the provisions of the Companies Act;
- Foreign company: registered as a branch of the parent company under the Companies Act but not incorporated as a Singapore company; or
- Representative office: offices of foreign corporations, which undertake promotional and liaison activities on their parent company's behalf. They must not engage in business, conclude contracts, provide consultancy for a fee, undertake transshipment of goods, or open or negotiate any letters of credit directly or on behalf of their parent companies.

Private businesses, both local and foreign, compete on a generally equal basis with government-linked companies (GLCs), although some observers speculate that government-linked corporations have benefited from cheaper financing due to an implicit government-guarantee. Government officials reject such assertions, saying the government does not interfere with the operations of the GLCs, or grant them special privileges, preferential treatment or hidden subsidies. However, many observers have been critical of cases where GLCs had entered into new lines of business, or where government agencies have corporatized certain functions, in both cases entering into competition with already existing private businesses.

PROTECTION OF PROPERTY RIGHTS

Singapore's legal system is based on UK law and offers effective means for enforcing property rights. Common law protects and facilitates the acquisition and disposition of all property. Secured interests in property are recognized and enforced.

Intellectual property protection has improved significantly since the late 1990s, leading to Singapore's removal from the U.S. Special 301 Watch List in April 2001. Nevertheless, some problems have remained, including the availability of pirated optical discs, use of unlicensed software by businesses, the transshipment of pirated material through Singapore, and a burdensome process to get infringing material removed from Internet sites. The US-Singapore FTA addresses these and other issues and provide enhanced protection for U.S. rights owners. While not an FTA commitment, in September 2002 Singapore set up a specialized court (IP Court), which comes under the Singapore Supreme Court, to deal with IP disputes.

On enforcement, although the production of pirated material and blatant storefront piracy have been sharply reduced (piracy rates for motion pictures and music are now around 20%), pirated optical discs and counterfeit goods continue to be available from vendors in some street markets, outside metro stations, and other high pedestrian locations. The Intellectual Property Branch of the Singapore Police is working to address such activities, but targeting the highly mobile pirates is a challenge. The software piracy rate in Singapore, while among the lowest in Asia, remains largely static, and is almost double the level in the U.S. The absence of criminal penalties for the use of unlicensed software means that many businesses use unlicensed software, resulting in estimated losses by the business software industry of over $30 million annually. Under the US-Singapore FTA, Singapore would rectify this problem by amending its law.
Singapore's continued retention of its "self-help" policy on IPR enforcement, which treats IP infringement differently than other theft crimes, places an undue and expensive burden on rights holders to initiate raids and prosecute pirates. Although robust government enforcement action represents an important step away from this approach, the "self-help" policy continues to send the wrong message that IP offenses are not crimes against the public interest. Under the US-Singapore FTA, Singapore has agreed to implement changes to the "self-help" policy, while committing that the government will continue to assume primary responsibility for enforcement.

Until recently, most educational institutions (the majority government-operated) were out of compliance with their legal obligations to pay royalty fees to publishers in exchange for the right to duplicate copyrighted printed works for use in course materials. In 2002-2003, the principal universities and polytechnics, along with the Ministry of Education, reached agreements with publishers to pay such compensation.

Although it is a major transshipment and transit point for sea and air cargo, Singapore does not collect information on the contents and destinations of most transshipment and transit trade, which account for 80% of cargo coming through Singapore. This lack of information prevents the use of modern customs enforcement techniques, such as risk analysis and profiling, thereby making enforcement against transshipment or transit trade in illegal goods, including infringing products, extremely difficult. In addition, it is unclear whether Singapore law provides for the seizure of infringing products that are being transshipped or are in transit.

The US-Singapore FTA will enhance Singapore's legal framework to provide greater protection for digital works, and to modify requirements and procedures for removing infringing material from Internet sites. Singapore has also committed to accede to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, which together set the basic standards for protecting digital content.

The US-Singapore FTA also ensures that government marketing approval agencies will not grant approval to patent-violating products. It will also protect against imports of pharmaceutical products without the patent-holder's consent by allowing lawsuits when contracts are breached. There is no specific legislation in Singapore on trade secrets. Rather, investors' commercially valuable proprietary information is protected under common law by the Law of Confidence. The US-Singapore FTA protects test data and trade secrets submitted to the government for the purpose of product approval will be protected against disclosure for a period of five years for pharmaceuticals and ten years for agricultural chemicals. The Official Secrets Act and the Internal Security Act protect all government trade secrets.

TRANSPARENCY OF THE REGULATORY SYSTEM

The Singapore government promotes its regulatory environment as business-friendly, with transparent and clear regulations. Tax, labor, banking and finance, industrial health and safety, arbitration, wage and training rules and regulations are formulated and reviewed with the interests of foreign investors and local enterprises in mind, and the government is usually open to comments from interested businesses.

With some important exceptions, Singapore has not had a system whereby proposed regulations are published for public comment in a government gazette, although, in general the government usually consults relevant stakeholders prior to implementing any new law or regulation (though this consultative process may not necessarily be conducted in public). However, some agencies over the past two years moved to post draft legislation or regulation on the Internet for public comment. Local laws give regulatory bodies wide discretion to modify regulations and impose new conditions, but in practice agencies use this in a positive way, such as adapting incentives or other services on a case-by-case basis to meet the needs of foreign companies. In April 2003, the Singapore government established a new centralized Internet portal (http://app.feedback.gov.sg/asp/ocp/ocp01a.asp) to seek feedback on selected draft legislation and regulations.

The US-Singapore FTA will enhance regulatory transparency, by requiring regulatory authorities to consult with interested parties before issuing regulations, provide advance notice and comment periods for proposed rules, and publish all regulations.

Procedures for obtaining licenses and permits are generally transparent and not burdensome, but there have been occasional exceptions. Procedures appear faster in areas considered by the government as national priorities. Investors in areas not considered priorities, or in new areas that may be unfamiliar to the government, may experience a longer process.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Policies in Singapore facilitate the free flow of financial resources. Credit is allocated on market terms, and foreign investors can access credit on the local market, both U.S. dollars, Singapore dollars (SGD), and other foreign currencies. The legal, regulatory and accounting systems are transparent and either already match or are being upgraded to match international norms and best practices.

The Monetary Authority of Singapore (MAS) formulates and implements the country's monetary and exchange rate policy, and supervises and regulates the country's sophisticated financial and capital markets. Since 1999, MAS has been moving away from a regulatory approach based on prescriptive rule-making to one based on risk-based supervision. MAS guidelines on risk management are based on best practices and are similar to those issued by regulatory authorities in other advanced jurisdictions.

The government has sought to boost the country's asset management industry by placing with external asset managers a significant portion of government reserves managed by MAS and the Government of Singapore Investment Corporation (GIC). Some S$343.8 billion (US$196 billion) in funds is now managed in Singapore. The government moved in the late 1990s to develop an SGD debt market. The total issuance of SGD-denominated corporate debt in 2002 was S$ 18.2 billion (US$10.4 billion).

Singapore's banking system is sound and well-regulated. Total assets of the domestic banking sector were S$382 billion (US$218.3 billion), as of May 2003. Local Singapore banks remain relatively small in Asian terms, but are more profitable and have stronger credit ratings than many of their Asian peers. As at December 2002, global non-bank non-performing loans (NPLs) as a percentage of global non-bank loans were 7.7% (compared with 8% in December 2001). Regional country non-bank NPLs as a percentage of regional non-bank loans were 19.4% as at December 2002 (21.4% as at December 2001).

A new statutory requirement prohibiting banks from engaging in non-financial business will take effect in 2004. This will require local banks to undertake profound restructuring and divest non-financial assets. In the future, banks will only be able to hold 10% or less in non-financial companies as an "equity portfolio investment." Revised rules on property-related loans, to limit and monitor more effectively bank's exposure to the property sector, are also due to take effect.

The Embassy is not aware of any attempts by the private sector or the government to restrict foreign participation in industry standards-setting consortia or organizations; indeed, the participation of foreign investors is often actively solicited.

CORPORATE GOVERNANCE

Singapore authorities have placed an increasing emphasis on corporate governance, generally bench-making local standards to international best practices. In December 1999, the Government established three private sector-led committees to review and enhance the existing framework for corporate law and governance - the Corporate Governance Committee (CGC), the Disclosure and Accounting Standards Committee (DASC), and the Company Legislation and Regulatory Framework Committee (CLRFC). The Committees completed their reviews in March 2001, October 2001, and August 2002, respectively. The government has implemented all the recommendations of the CGC and the DASC, while the CLRFC's recommendations are in the process of being implemented.

The Code of Corporate Governance, released in April 2001, came into full effect on January 1, 2003. The Code sets out recommended corporate governance principles and practices in areas such as board composition, board performance, directors' remuneration, accountability, and communication with shareholders. Listed companies are required by the Singapore Exchange (SGX) to disclose and explain any deviation from Code, effective 1 January 2003. The newly-established private sector-led Council on Corporate Disclosure and Governance (CCDG) is responsible for regularly updating the Code to ensure it remains relevant and consistent with international practices.

The Securities and Futures Act (SFA), which was fully implemented on October 1, 2002, introduces a host of policy reforms in Singapore's capital markets, moving them to a disclosure-based regime. The SFA requires corporations listed on the Singapore Exchange (SGX) to disclose material information on a continuous basis (previously this was only a quasi-regulatory requirement under the SGX Listing Manual). Failure to disclose will either constitute a criminal offence or give rise to civil liability, and not just a breach of the listing rules. Effective January 1, 2003, listed companies are required to do quarterly financial reporting. The SFA imposes a requirement on persons acquiring substantial shareholdings of 5% or more of the voting shares of a listed company, to disclose such acquisitions as well as any subsequent changes in their holdings directly to the Exchange within two days.

The SFA also contains enhanced market misconduct provisions. In particular, liability for insider trading will no longer be dependent upon proof of a person's connection with the company, but upon whether the person traded while in possession of undisclosed price-sensitive information.

Rules on mergers and acquisitions (M&A) are generally aligned with international standards, particularly after the recent release of a revised Code on Takeovers and Mergers. The new Code provides better protection to minority shareholders and more time to consider offers (28 days vice 21 days previously). However, there have been instances where companies violated the spirit of the rule designed to protect minorities, while adhering to its text, but these actions were not targeted at foreign investors.

The Council on Corporate Disclosure and Governance (CCDG) prescribes accounting standards in Singapore. Formally termed 'Financial Reporting Standards' (FRS), Singapore's prescribed accounting standards are aligned with the accounting standards issued by the International Accounting Standards Board. Companies can deviate from the prescribed accounting standards if such deviations are required to present a 'true and fair' set of financial statements. Singapore-incorporated companies whose shares are publicly traded can use certain alternative standards, if they are listed on foreign stock exchanges that require these standards. These companies do not need to reconcile their accounts with Singapore accounting standards. Thus, a listed Singapore-incorporated company that is also listed in the U.S. can prepare its accounts based on US GAAP. It does not need to prepare a parallel set of accounts based on Singapore accounting standards. All other Singapore-incorporated companies must use the prescribed accounting standards for financial years beginning on or after January 1, 2003, unless they are exempted by the Registry of Companies and Businesses.

POLITICAL VIOLENCE

Singapore’s political environment is stable, and there is no history of incidents involving politically-motivated damage to foreign investments in Singapore. The ruling People's Action Party (PAP) has dominated Singapore’s parliamentary democracy since 1959, and currently controls 81 of the 83 regularly contested parliamentary seats. Opposition parties, which currently hold two regularly-contested parliamentary seats and one additional seat reserved to the opposition by the constitution, do not usually espouse views that are radically different from the mainstream of Singapore political opinion.

CORRUPTION

Transparency International ranks Singapore as the least corrupt country in Asia, and one of the least corrupt in the world, a view shared by most observers and foreign investors. Singapore has and actively enforces strong anti-corruption laws. The Prevention of Corruption Act and the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau (a division of the Prime Minister’s Office). These laws cover acts of corruption both within Singapore as well as those committed by Singaporeans abroad. When cases of corruption are uncovered, whether in the public or private sector, the government deals with them firmly, swiftly and publicly, as they do in cases where public officials are involved in dishonest and illegal behavior.

Singapore is not a party to the OECD Convention on Combating Bribery, but the Prevention of Corruption Act makes it a crime for a Singapore citizen to bribe a foreign official or any other person, whether within or outside Singapore.

BILATERAL INVESTMENT AGREEMENTS

Singapore has signed General Investment Guarantee Agreements (IGA’s) with ASEAN member nations, the Belgo-Luxembourg Economic Union and the following 27 economic partners: Belarus, Cambodia, Canada, China, the Czech Republic, Egypt, France, Germany, Hungary, Laos, Latvia, Mauritius, Mongolia, The Netherlands, Pakistan, Peru, Poland, the Riau Province of Indonesia, Slovenia, Sri Lanka, Switzerland, Taiwan, the United Kingdom and the United States, Uzbekistan Vietnam and Zimbabwe. These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization.

The US-Singapore FTA provides important protections for investors, and will protect all forms of investment. The Agreement guarantees U.S. investors treatment no less favorable than Singaporean investors or any other foreign investor, except in certain sectors that are specifically exempted. This so-called “negative list” approach is the most comprehensive way to protect the interests of U.S. investors in Singapore. Singapore has tax treaties with a number of countries, but not with the United States.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

Under a 1966 investment guarantee agreement with Singapore, the U.S. Overseas Private Investment Corporation (OPIC) offers insurance to U.S. investors in Singapore against currency inconvertibility, expropriation and losses arising from war. Singapore became a member of the Multilateral Investment Guarantee Agency (MIGA) in 1998.

LABOR

Singapore's labor market totals about two million persons, including nearly half a million unskilled and semi-skilled foreign workers and about 70,000 foreign professionals. Local labor laws are flexible, allow for relatively free hiring and firing practices.

Labor-management relations in Singapore are excellent. About 29% of the workforce is unionized. The vast majority of unions are affiliated with the National Trades Union Congress (NTUC), which maintains a symbiotic relationship with the ruling party. Although workers, other than those employed in the three essential services of water, gas and electricity, have the legal right to strike, there has not been any strike since 1986. Industrial disputes, when they exist, are usually settled through mediation by the government. When this fails, the matter is decided by the Industrial Arbitration Court (IAC), whose rulings are binding. Once the IAC recognizes a dispute, strikes or lockouts are illegal under the Trade Disputes Act.

Singapore has no minimum wage law; the government follows a policy of allowing free market forces to determine wage levels. Singapore has a flexible wage system in which the National Wage Council (NWC) recommends non-binding wage adjustments on an annual basis, and largely based on prevailing economic and employment conditions. The NWC comprises of 30 members: ten trade union leaders, ten employer group leaders, and ten government officials. The NWC recommendations apply to all employees in both domestic and foreign firms, and across the private and public sectors. While the NWC wage guidelines are not mandatory, they are widely implemented. The level of implementation is generally higher among unionized companies compared to non-unionized companies.

To help companies adjust employment costs, the government has urged companies to include an "annual variable component" of up to 20% of wages; after discussion with employees, firms in difficulty could lower wages by up to the amount. The NWC has also recommended that companies and employers agree to set aside an additional 10% of wages in a "monthly variable component," allowing for quicker wage cost adjustments. Only a minority of firms has implemented the monthly variable component.

The government places a ceiling on the ratio of unskilled/semi-skilled foreign workers to local workers that a company can employ, and charges a monthly levy for each unskilled or semi-skilled foreign worker. At the same time, the government provides incentives and assistance to firms to automate and invest in labor-saving technology.
Firms pay a levy equivalent to one percent of wages paid to employees earning S$1,500 per month (about US$833) or less, to the Skills Development Fund (SDF), a pool from which the government draws to provide incentives and grants for manpower training.

FOREIGN TRADE ZONES/FREE TRADE ZONES

Singapore has eight free-trade zones (FTZs) for seaborne cargo and one for airfreight. The FTZs may be used for storage and repackaging of import and export cargo and goods transiting Singapore for subsequent re-export. Manufacturing is not carried out within the zones. Foreign and local firms have equal access to the FTZ facilities.

FOREIGN DIRECT INVESTMENT STATISTICS

The United States is Singapore's leading foreign investor, and current surveys estimate that there are over 1,300 U.S. firms in Singapore. According to U.S. Department of Commerce statistics, U.S. firms (manufacturing and services) had cumulative total investments in Singapore in 2001 of US$27.3 billion.

FOREIGN DIRECT INVESTMENT STATIST

TABLE A

STOCK OF FOREIGN DIRECT EQUITY INVESTMENT IN SINGAPORE BY COUNTRY

(As at Year-End, Historical Value)

US$ Million

	1998	1999	2000
Foreign Direct Equity Investment	84,255.0	94,594.1	105,539.6
Australia	2,230.9	1,556.0	1,649.1
Canada	1,890.0	2,485.8	2,495.9
New Zealand	99.5	98.7	98.8
United States	13,528.3	15,299.2	19,676.9
European Countries	29,309.2	35,679.1	40,074.4
European Union	20,719.7	25,459.2	28,858.8
France	2,208.4	2,083.7	2,700.3
Germany	908.9	951.7	1,739.8
Netherlands	5,686.4	13,604.5	17,009.5
United Kingdom	10,443.2	6,818.6	5,060.0
Other EU countries	1,472.7	2,000.6	2,349.1
Switzerland	8,110.0	9,231.1	9,087.9
Other European Countries	479.4	988.8	2,127.8
Asian Countries	25,038.5	24,144.8	25,030.6
China	451.8	549.0	482.7
Hong Kong	2,792.4	2,646.5	3,242.6
Japan	14,380.8	14,082.7	14,200.9

South Korea	357.4	375.5	574.8
Taiwan	1,603.5	1,333.9	1,485.4
ASEAN	5,142.4	4,841.4	4,832.0
Brunei Darussalam	106.7	122.7	128.7
Indonesia	827.9	577.6	909.0
Malaysia	3,627.8	3,276.1	2,784.4
Philippines	63.4	442.1	596.3
Thailand	454.8	406.7	390.6
Vietnam	2.3	3.8	4.8
Cambodia[1]	0.2	0.4	0.2
Myanmar	59.5	12.0	18.0
Other Asian countries	310.0	315.8	212.3
Other Countries	12,158.6	15,330.6	16,514.0

Source: Singapore Department of Statistics

TABLE B
STOCK OF FOREIGN DIRECT EQUITY INVESTMENT IN SINGAPORE BY SECTOR
(As at Year-End, Historical Value)
US$ Million

	1998	1999	2000
Total Foreign Direct Equity Investment	**84,255.0**	**94,594.1**	**105,539.6**
Agriculture & Fishing	**24.6**	**24.9**	**25.3**
Mining & Quarrying	**(3.4)**	**(8.6)**	**(29.3)**
Manufacturing	**31,876.4**	**34,528.5**	**39,402.7**
Food, Beverages & Tobacco	310.7	297.4	303.9
Textiles, Wearing Apparel & Leather	36.3	10.9	42.8
Wood & Wood Products	8.4	3.1	1.7
Paper & Paper Products, Printing & Publishing	475.2	397.8	556.8
Chemicals & Chemical Products	8,477.0	8,279.8	9,507.7
Petroleum & Petroleum Products	2,153.7	2,798.8	4,003.9
Rubber & Plastic Products	438.0	438.9	570.2
Basic Metals	21.5	36.0	26.4
Fabricated Metal Products	548.1	530.9	528.4
Machinery & Equipment	1,302.2	1,316.9	1,354.1
Electrical Machinery & Apparatus	706.0	701.0	818.4
Electronic Products & Components	15,872.5	17,843.5	19,488.7
Transport Equipment	614.7	740.0	872.2
Instrumentation, Photographic & Optical Goods	466.8	615.5	743.8

Others	445.4	518.2	583.5
Construction	**861.5**	**850.3**	**1,139.0**
Commerce	**11,473.1**	**13,299.6**	**14,731.9**
Wholesale Trade	10,581.0	11,756.7	13,373.8
Retail Trade	273.7	457.6	418.1
Restaurants & Hotels	618.4	1,085.3	940.0
Transport, Storage & Communications	**2,932.7**	**2,777.4**	**3,964.2**
Water Transport	752.4	600.1	921.2
Storage & Warehousing	1,994.5	1,859.1	2,714.3
Others	185.9	318.3	328.7
Financial and Business Services	**37,032.5**	**43,155.6**	**46,560.5**
Financial Services	29,594.2	35,317.7	38,065.7
Banks	4,114.5	4,314.3	4,610.0
Finance Companies	223.5	177.4	64.1
Investment Holding Companies	22,617.8	28,013.6	29,875.1
Other Financial Services	2,638.4	2,812.4	3,516.4
Insurance Services	1,347.7	1,409.9	1,358.0
Insurance Companies	1,308.5	1,379.8	1,307.0
Other Insurance Services	39.1	30.1	50.9
Real estate and other business services	6,090.6	6,428.0	7,136.9
Real estate and property development	3,064.3	3,072.3	3,229.2
Other business services	3,026.4	3,355.6	3,907.7
Social & Personal Services	**57.5**	**(33.5)**	**(254.8)**

Source: Singapore Department of Statistics

TABLE C
STOCK OF DIRECT EQUITY INVESTMENT ABROAD BY COUNTRY
(As at Year-End, Historical Value)
US$ Million

	1998	**1999**	**2000**
Total Direct Equity Investment	**32,044.9**	**39,058.5**	**39,915.8**
Asia	19,221.8	24,277.6	23,469.5
ASEAN	7,646.5	9,543.2	9,693.8
Brunei	14.1	29.8	24.9
Indonesia	2,025.3	2,204.4	1,963.4
Malaysia	3,662.5	3,871.2	4,345.3
Philippines	659.3	1,255.0	1,287.2
Thailand	793.1	1,554.1	1,497.2
Vietnam	503.2	547.8	471.5

Cambodia[1]	32.8	34.8	31.6
Myanmar	(9.4)	48.4	75.8
Lao	(1.5)	(2.5)	(3.1)
Hong Kong	3,236.0	4,330.4	2,609.8
Taiwan	728.2	1,142.1	1,486.9
China	5,630.7	6,612.3	6,797.0
Japan	496.6	594.5	475.7
South Korea	395.1	833.4	1,102.2
India	173.1	225.2	245.4
Others Asian Countries	883.1	996.7	1,058.6
Europe	2,256.5	2,898.4	2,284.9
Netherlands	140.6	46.5	45.5
United Kingdom	680.5	829.4	793.0
France	52.3	45.2	52.0
Other European Countries	1,383.3	1,977.3	1,394.5
Australia	666.7	1,087.3	1,039.2
United States	1,629.9	2,234.4	3,193.2
New Zealand	303.5	241.1	441.0
Other Countries NEC	7,966.5	8,319.6	9,488.0

Source: Singapore Department of Statistics

TABLE D
GDP AND FDI FIGURES, 1998-2000

Year	GDP at Current Market Price	FDI	FDI as % to GDP
1998	137,084.8	139,905.4	1.02
1999	137,935.1	157,593.8	1.14
2000	157,700.2	181,939.8	1.15

Source: Singapore Department of Statistics

TABLE E
TOP TEN FOREIGN INVESTORS IN SINGAPORE BY NATIONALITY
(April 2001 to End March 2002 at Market Value)

UNITED STATES
(US$ Million)

COMPANY NAME	TYPE OF BUSINESS	TOTAL ASSETS	TOTAL SALES
J.P. Morgan Securities	Investment	18,150	570
Motorola Electronics	Electronics	1,890	1,236

Motorola Asia Treasury	Finance	1,260	168
Caltex Trading	Petroleum	1,224	19,496
Baxter Healthcare	Precision Instruments	1,115	395
Agere Systems	Electronics	1,087	2,761
Microsoft Operations	Electronics	1,082	2,192
Citicorp Investment Bank	Banking	949	73
Du Pont Singapore	Chemicals	542	487
Maxtor Peripherals	Electronics	537	2,184

JAPAN
(US$ Million)

COMPANY NAME	TYPE OF BUSINESS	TOTAL ASSETS	TOTAL SALES
Sony Electronics	Electronics	1,318	2,490
Fuji Xerox	Offfice Equipment	819	534
Hitachi Asia	Electronics	810	2,590
Toshiba Capital	Finance	805	4,720
Hitachi Nippon Steel Semiconductor	Electronics	400	188
Matsushita Kotobuki	Electronics	320	1,242
Nissho Iwai Int'l	Trading	310	439
Pioneer Electronics	Electronics	307	1,123
AVX/Kyocera	Electronics	306	252
Sumitomo Coprn.	Trading	291	1,838

EUROPE
(US$ Million)

COMPANY NAME	COUNTRY	TYPE OF BUSINESS	TOTAL ASSETS	TOTAL SALES
Glaxo Wellcome	U.K.	Chemicals	7,683	2,556
Shell Eastern	Netherlands	Chemicals	4,828	4,287
Prudential Assurance	U.K.	Insurance	3,802	1,260
Credit Suisse First Boston	Switzerland	Banking	2,736	141
Shell Eastern Trading	Netherlands	Petroleum	1,478	15,834
Danone Asia	France	Investment	1,412	1,562
BP Singapore	U.K.	Petroleum	705	6,240
APL Co.	Denmark	Shipping	586	3,328
Infineon Technologies	Germany	Electronics	544	1,654
BASF South East Asia	Germany	Chemicals	468	562

MALAYSIA
(US$ Million)

COMPANY NAME	TYPE OF BUSINESS	TOTAL ASSETS	TOTAL SALES
Kuok Singapore	Trading	1,025	335
Sime Singapore	Trading	112	488
Jacks International	Trading	66	268

Note:

Exchange rate for March 2002 (end of period) was S$1.8425 per US$1.

Source: "The Singapore 1000, 2002/2003", Datapool (S) Pte. Ltd

ANNEX: INCENTIVES

INCENTIVES ADMINISTERED BY THE MONETARY AUTHORITY OF SINGAPORE (MAS)

Banking

-
A) Tax Incentive Scheme for Asian Currency Unit (ACU) Income: this Scheme encourages banks and merchant banks to undertake offshore banking activities with non-residents by providing concessionary tax rate of 10% on income earned from such activities. This incentive will cease on December 31, 2003 and will be replaced by the Financial Sector Incentive (FSI) Scheme.

Insurance

-
B) Tax Incentive Scheme for Offshore Insurance Business: this Scheme allows a concessionary tax rate of 10% to be granted to insurance companies on incomes derived from writing offshore insurance business, offshore income investing offshore insurance funds and shareholders' funds used to support offshore insurance business.

C) Tax Exemption Scheme for Offshore Marine Hull & Liability Insurance Business: this Scheme aims to encourage all general direct insurance and reinsurance companies in Singapore to tap the insurance potential of the shipping communities in the Asia Pacific region. It provides tax exemptions for income derived from writing offshore marine hull and liability risks, as well as offshore income; these were derived from investing offshore marine hull & liability insurance funds and shareholders' funds which were in turn, used to support the offshore marine hull & liability insurance business.

D) Abolition of Withholding Taxes on Financial Guaranty Insurance Contracts: this is to promote financial guaranty business, and claim payments made under financial guaranty insurance policies by approved financial guaranty insurers to non-residents will be exempt from withholding tax.

E) Tax Deduction for Special Reserves of General Insurance Companies: this allows general insurance companies to claim tax deduction on special reserves (commonly known as contingency reserves) set aside for certain offshore risks.

Equity Market

F) Tax Incentive Scheme for Equity Capital Market Intermediaries: this Scheme aims to encourage regional securities trading and corporate advisory activities by granting financial institutions:

1. Concessionary tax rate of 10 per cent on income derived from the provision to non-residents' brokerage, custodian services, corporate advisory services, trading in foreign securities, arranging and underwriting foreign securities, as well as corporate advisory services.

2. Concessionary tax rate of 10% on income derived from a loan of foreign securities under a securities lending arrangement.

3. Concessionary tax rate of 5% on income derived from the provision of brokerage, custodian services and trading in foreign securities listed on the Singapore Exchange.

4. Concessionary tax rate of 5% on income from managing the Initial Public Offerings of foreign securities on the Singapore Exchange.

5. Exemption of stamp duty on contracts for loan of securities.

This tax incentive scheme will be replaced by the FSI Scheme on January 1, 2004.

Derivatives

G) Tax Incentive Scheme for Financial Derivatives: this Scheme was introduced to encourage the growth of the financial derivatives market and financial institutions may be granted the following incentives:

1. Concessionary tax rate of 10% on income derived from transacting with qualifying parties in financial derivatives denominated in any foreign currency.

2. Concessionary tax rate of 5% on income derived from transacting with qualifying parties in over-the-counter financial derivatives denominated in any foreign currency.

3. Withholding tax exemption on payments to non-residents on over-the-counter financial derivatives denominated in any foreign currency.

The FSI Scheme will replace this tax incentive scheme from January 1, 2004.

Asset Management

H) Tax Incentive Scheme for Asset Management: this Scheme grants a concessionary tax rate of 10% on fee income to an approved fund manager (AFM), thereby encouraging them to set up or expand in Singapore. From January 1, 2004, this tax concession will be granted under the FSI Scheme.

I) Investment income earned by foreign investors from funds managed by all fund managers in Singapore is also exempt from Singapore tax.

J) Tax Incentive Scheme for Approved Trustee Companies: this is a concessionary tax rate of 10% granted to companies and financial institutions on selected income streams from trust administration and custodian services they offer in Singapore. Investment income generated by foreign trusts is also exempted from tax.

K) Investment income generated by foreign trusts is also exempted from tax.

Debt Market

L) Tax incentives to encourage origination and trading of debt securities in Singapore:

1. Tax exemption on fee income earned from arranging, underwriting and distributing qualifying debt securities, up to December 31, 2003. From January 1, 2004, this tax incentive will be replaced by the FSI Scheme.

2. Concessionary tax rate of 10% on income earned from trading in debt securities up to December 31, 2003. The FSI Scheme will replace this tax concession from January 1, 2004.

3. Concessionary tax rate of 10% on interest income from holding qualifying debt securities arranged in Singapore.

4. Withholding tax exemption on interest from qualifying debt securities arranged in Singapore payable to non-residents.

5. Withholding tax exemption on swaps in relation to S$ bond issues.

6. Issuers need not meet the requirement under S45 of the Income Tax Act to withhold tax on interest paid on qualifying debt securities.

M) Approved Bond Intermediary (ABI) Scheme: the Monetary Authority of Singapore will evaluate a financial institution's debt origination and trading capabilities in Singapore on an overall basis. Once a financial institution has been accorded the ABI status, all debt securities lead managed by it would be treated as qualifying debt securities. The ABI and the qualifying debt securities will enjoy the following tax incentives:

1. The ABI will be exempt from tax on fee income earned from arranging, underwriting and distributing the securities.

2. The debt securities arranged by ABIs will be considered qualifying debt securities and automatically be eligible for the applicable tax incentives.

To qualify for the ABI status, financial institutions must have a substantial debt team in Singapore. The ABI status had been extended up to December 31, 2003. Effective January 1, 2004, the FSI Scheme will replace this scheme.

N) Tax Exemption Scheme for Syndicated Facilities: tax exemption is given on fee, interest, commission and other income from arranging, underwriting and participating in syndicated facilities. From January 1, 2004, the income derived from qualifying syndicated facilities will be granted concessionary tax treatment under the FSI Scheme.

Financial Sector Incentive (FSI) Scheme

O) Financial Sector Incentive Scheme: several existing tax incentives schemes (ACU, bond market, derivatives, equity market, syndicated facilities, asset management and operational headquarters' schemes) are merged into this umbrella scheme. The FSI scheme takes effect from January 1, 2004, and this offers 5-10% concessionary tax rates on income derived from its qualifying activities.

General

O) Double Tax Deduction Scheme for Financial Research and Development: this Scheme aims to encourage financial institutions in Singapore to develop new and innovative financial products, by allowing double tax deduction for expenses such as costs of R&D personnel, legal expenses, training costs and consultancy fees.

P) Tax Incentive Scheme for Operational Headquarters: this Scheme allows financial institutions with substantial international operations a concessionary tax rate of 10% on income derived from providing qualifying headquarters services to overseas related companies and on income derived from treasury activities. This scheme will be replaced by the FSI scheme from January 1, 2004.

Q) Tax Incentive Scheme for Finance and Treasury Centers: this Scheme aims to encourage multi-national corporations to use Singapore as a base for conducting treasury management activities by providing a concessionary tax rate of 10% on income derived from provision of finance and treasury services to related companies. Interest payments on debt securities or foreign loans obtained from overseas financial institutions or related companies may also be exempted from withholding tax.

R) Financial Sector Development Fund: the Financial Sector Development Fund (FSDF) was set up to facilitate the development and enhancement of talent and other infrastructure for Singapore's financial center. The FSDF supports the following manpower development schemes:

1. Financial Training Scheme (FTS): to encourage Singapore-based financial institutions to develop the skills and capabilities of their executive staff in key areas of expertise.

2. Training Infrastructure Enhancement Scheme (TIES): to encourage the development of a dynamic training environment that enhances Singapore's competitiveness as an international financial center.

3. Innovation in Financial Technology & Infrastructure Grant (ITIG) Scheme: to encourage innovation in technology in financial services.

INCENTIVES ADMINISTERED BY THE ECONOMIC DEVELOPMENT BOARD (EDB)

A) Pioneer Status: new manufacturing and service investments introducing high-tech skills can enjoy complete exemption from the 22% corporate tax on profits for five to ten years.

B) Development & Expansion Incentive: this incentive replaces the post-pioneer incentive. Firms that engage in new projects, expand or upgrade operations in Singapore which result in significant economic spin-offs are eligible for a concessionary tax rate for up to 10 years with provision for extension.

C) Investment Allowance Incentive: companies engaged in qualifying activities (for example, manufacturing, engineering services, research and development activities, construction or projects to reduce consumption of water) are eligible for exemption of taxable income equal to a specified proportion (up to 50%) of new fixed investment. The exempted firms must make the specified investments within five years.

D) Approved Foreign Loan Scheme: a company that takes a minimum loan of S$ 200,000 (about US$ 110,000) from a foreign lender to purchase productive equipment will be wholly or partially exempt from withholding tax on the interest payable to the lender.

E) Approved Royalties Incentive: full or partial exemption of withholding tax on royalties is given to eligible companies.

F) Technopreneur Investment Incentive: companies eligible for this incentive are startups in the initial stage of developing or exploiting new technology. Investors in the eligible startup company can offset losses incurred through the sale of shares or through the liquidation of the startup company, against their own taxable income

G) HQ Program - EDB aims to establish Singapore as a premier international headquarters hub with a vibrant business eco system to reach out to all types of HQ - big and small, from all industries and all geographies. Under the Headquarters Program, deserving companies that commit to expansion are awarded the International Headquarter Award and Regional Headquarters Award and attendant incentive benefits that are dependent on the size and sophistication of their activities in Singapore.

H) Accelerated Depreciation Allowances: in lieu of the normal initial depreciation allowance of 20% and annual allowance of between 5% to 20% on capital expenditure, companies can claim an annual depreciation allowance of 33 1/3 percent over three years for all plants and machinery. They may also claim 100% in one year for prescribed automation equipment, robots and certain environmental-related equipment (e.g., energy-saving equipment). Industrial buildings may be depreciated over 25 years.

I) Double Deduction for Research and Development (R&D) Expenses: applicable to manufacturing and service activities engaged in R&D. The project must be carried out in Singapore. Double deduction is allowed for qualifying R&D expenses against taxable income.

J) Research Incentive Scheme for Companies: under this scheme, grants may be offered to support the development of in-house R&D capabilities among Singapore-based companies.

K) Exemption of foreign sourced interest and royalty income for R&D purposes: Foreign sourced interest and royalty income remitted into Singapore will be tax-exempt, provided they are spent on R&D activities (at least 20% must be spent on local R&D activities). The incentive period to be awarded is five years.

M) Innovation Development Scheme: under this scheme, grants may be offered to companies to engage in, and develop capabilities in the innovation of products, processes and applications.

N) Initiatives in New Technology: under this scheme, grants may be offered to companies to support manpower training costs in the application of new technologies, industrial R&D and professional know-how.

O) Integrated Industrial Capital Allowance: Companies in Singapore will be allowed to claim capital allowances on equipment sent overseas for manufacturing purposes.

Special GST scheme for 3rd party Logistics Service Providers (3PLSPs): This measure allows 3PLSPs to import goods belonging to themselves for their foreign principals without having to pay GST. It also allows the 3PLSPs to move goods to companies enjoying the Major Exporter Scheme (MES) and other qualifying 3PLSPs without having to impose and collect GST.

The Enterprise Challenge (TEC) Scheme: The Enterprise Challenge (TEC) is a S$20 million fund set up to provide sponsorship and test beds to trial test innovative proposals that have the potential to create new value or bring about significant improvements to the delivery of Singapore public service. TEC funds the trial testing radical, high risk innovations so that its feasibility and practicality can be proven. The purpose of TEC is to encourage creativity, innovation and enterprise among Singaporeans; to spark, develop and drive initiatives that can create new value for the Singapore Public Service and fundamentally improve the delivery of the Singapore public service. For more information, visit http://www.tec.gov.sg/

INCENTIVES ADMINISTERED BY THE INTERNATIONAL ENTERPRISE SINGAPORE

A) Double Tax Deduction (DTD) Scheme: The Double Tax Deduction (DTD) scheme for market development aims to encourage Singapore companies to expand their overseas markets. It allows approved companies to deduct against their taxable income twice the eligible expenses incurred in the following activities as covered by Section 14B of the Income Tax Act:

- Participation in overseas trade fairs/missions either as a group or on a single-company basis
- Participation in approved local trade exhibitions
- Setting up of Overseas Marketing Offices
- Master Licensing and Master Franchising
- Advertising in Approved Local Trade Publications
- Printing of Corporate Brochures. Catalogues for distribution in overseas markets

Engaging in market development activities, i.e. Market Survey, Feasibility Study, Advertising Campaign, Promotional Campaign, Design of Packaging & Product/Services Certification.

B) International Exhibition City Program : The Program was launched with the objective to develop Singapore into an International Exhibition City. It aims to:

- attract new international trade fairs and conferences to be staged in Singapore.
- nurture credible trade fairs and trade in Singapore to become regional or international events of the regions.
- raise the standards of trade fairs and conferences Singapore. Incentives include endorsement and marketing assistance through tax incentives and grants offered by IE Singapore.

C) Global Trader Program (GTP) : The aim is to attract major international companies to use Singapore as a competitive trading hub.

Companies with the GTP status enjoy a concessionary tax rate of 10% on international trading activities in approved commodities and products.

D) Approved Cyber Trader Scheme (ACT): Companies conducting international business through the use of Internet can qualify for the ACT incentive (10% concessionary tax).

INCENTIVES ADMINISTERED BY THE MEDIA DEVELOPMENT AUTHORITY (MDA)

A) Market Development Scheme (MDS): The scheme encourages Singapore-based media companies to seek business opportunities overseas. MDA will set aside S$2.5 million over five years for this scheme, where media companies can potentially get assistance of up to S$20,000 per company per annum to offset expenses in overseas business development missions led by MDA, market studies, participation in events and international media markets and business collaboration with overseas companies.

B) TV Content Industry Development Scheme: The scheme aims to help and encourage the Singapore TV production industry to create more high quality Made-by-Singapore TV content for international markets, including Singapore. The scheme applies to TV content-specific projects in various genres. MDA, together with the industry and other investors, assess co-funding arrangements on a project-by-project basis.

C) Digital Content Development Scheme: This scheme aims to seed fund to support the development of innovative ideas and concepts into real content products such as pilot episodes for original TV animation, technical demo for game series and interactive media projects. The level of support for each qualifying project is limited to S$150,000 and not more than 50% of the total qualifying costs.

D) Digital Technology Development Scheme: The scheme aims to support the development of original and innovative products or processes that lead to significant improvements in bringing value-added services to the broadcasting industry, or that lead to tangible outcomes such as investment for the new product, introduction of new services or adoption of new technology. Funding is provided in the form of a grant to cover up to 50% of the qualifying cost of the project.

Further guidelines and application information are available at MDA's website: http://www.mda.gov.sg/