

Singapore Government

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ORAL TESTIMONY DELIVERED BY AMBASSADOR PUNCH COOMARASWAMY
ON BEHALF OF THE SINGAPORE GOVERNMENT BEFORE THE UNITED
STATES TRADE POLICY STAFF COMMITTEE ON 5 APR 1983

The renewal of the United States' Generalised System of Preferences (GSP) Programme beyond 1985 is a matter of deep concern to the Government of Singapore.

President Reagan, in his 1983 State of the Union Address, said "... America must be an unrelenting advocate of free trade. As some nations are tempted to turn to protectionism, our strategy cannot be to follow them but to lead the way toward freer trade". In the face of increasing protectionism in the world economy today, Singapore was heartened to hear this strong advocacy by President Reagan. Free trade and free market enterprise are the very foundations of the economic strength and prosperity of the free world. We look to the United States to lead the world in reaffirming the principle of free trade and upholding the foundations of the free world.

Since our independence in 1965, my Government has adopted the principle of free trade as one of the basic tenets of our economic policy. Singapore's commitment to free trade and open markets can be clearly demonstrated. In 1976, when the United States' GSP Programme was established, importers had to pay duty on 11 per cent of all goods brought into Singapore. Since then, as Singapore's development permitted, we have further opened our market.

Between 1976 and 1982, we lowered duties on 574 items to an average of five per cent ad valorem and abolished tariffs for 313 additional items. In 1982, 91 per cent of goods from all countries entered Singapore free of duty. In the case of the United States, 94 per cent of her exports to Singapore were admitted duty-free. It is important to note that of the remaining six per cent, about four per cent fall under the category of revenue-raising duties in which domestic products pay exactly the same duties as the imported products. Therefore, virtually only two per cent of US exports attract what can be properly termed as protective import duty.

Thus, while some designated exports from Singapore enjoy duty-free entry into the United States under the GSP Programme, almost all American goods (that is 98 per cent) enter Singapore without facing any protective tariff or non-tariff barriers. In 1982, US\$3.5 billion worth of United States' goods entered Singapore duty-free while only US\$0.4 billion of Singapore's exports to the United States were duty-free under the GSP Scheme.

It is also significant, Mr Chairman, that the balance of our bilateral trade has been perennially in favour of the United States. Singapore's trade deficit with the United States increased by 267 per cent from US\$0.3 billion in 1976 to over US\$1.0 billion in 1982. Singapore is not seeking balanced trade with the United States. In view of our current industrialisation programme, it is very likely that the trade deficit will continue to increase. However, it is our hope that due account will be taken of the large and growing trade surplus which the United States enjoys in our bilateral trade when considering future actions on the GSP Programme.

My Government requests that the Government of the United States favourably considers the extension of the GSP Programme beyond 1985 and the continued inclusion of Singapore as a beneficiary. Given the openness of the Singapore market to the American goods, the United States' GSP Scheme can be viewed as a reciprocating instrument, in addition to its recognised role as a developmental aid programme to help developing countries help themselves.

In its extension of the GSP Programme, the United States should include countries such as Singapore which have shown an universally acknowledged commitment to free trade. The United States has advocated that Third World countries should bear greater responsibilities in international trade, concomitant to their levels of development. My country has done voluntarily and continues to do what the United States would prevail on others to do. The reduction or removal of GSP benefits for Singapore will be a step backwards from our mutual commitment to free trade. It would discourage other developing countries from adopting more liberal trade policies voluntarily and instead, encourage the conservation of tariff and non-tariff barriers to maximise their negotiating positions.

Furthermore, Mr Chairman, the GSP Programme has benefited not only Singapore but also the United States. The Programme has created a demand for American industrial raw materials and capital goods which Singapore required in its economic upgrading and industrialisation. American exports to Singapore have increased from US\$1.4 billion in 1976 to US\$3.8 billion in 1982. Industrial raw materials and capital goods accounted for 58 per cent of these imports.

Mr Chairman, Singapore is unique among GSP beneficiary countries. We are a small open economy on an island less than 250 square miles - a mere one-fifth the size of Rhode Island. We have no natural resources and so we have to rely on the world markets to survive. Our trade is 3.6 times larger than our gross domestic product. This makes our economy extremely susceptible to adverse international economic trends. Although Singapore has been relatively successful in the export of some products, we have yet to achieve a self-sustaining industrial base. There are still many gaps in our industrial structure. We need more time. Singapore continues to need the help of the GSP Programmes of donor countries, particularly that of the United States, to achieve its economic development objectives.

My Government is deeply concerned that any action by the United States to reduce or remove GSP benefits would have an adverse influence on other donor countries. In tandem with the United States, they could likewise withdraw their GSP benefits. In the context of our bilateral relations, such an action by the United States would penalise Singapore many times over in spite of our excellent political and economic ties.

To conclude, Mr Chairman, the United States and Singapore share many common values and interests. These go beyond the excellent political and economic relations between our two countries. Amidst the economic and political uncertainties in the world today, Singapore desires to maintain the close relationship with the United States. My Government, therefore, requests the Government of the United States to strengthen this relationship by extending the GSP Programme beyond 1985 and continue to include Singapore as a beneficiary of the Scheme.

Thank you, Mr Chairman.

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