

low inflation, and competitive interest rates characterize the economy.

The Singapore government has also acted to create government-linked companies in sectors which are either important to the national economy or which have been left vacant by multi-nationals. The economy is dominated by manufacturing (and in particular electronics), which accounts for 27 percent of the GDP, and financial and business services, which account for 29 percent of the GDP.

Singapore functions as a free port, where most goods are not subject to quota restrictions and can be imported without a licence. Most imports are duty-free, with the principal exceptions being automobiles, gasoline, alcohol, and cigarettes.

Foreign investment is actively encouraged, especially in the development of technology and its related management and labour skills. Virtually all industries are open to foreign investment, with the exception of public utilities and telecommunications. Singapore offers a relatively risk free environment, with no record of nationalization or expropriation. Generally, no percentage restrictions are enforced regarding foreign ownership, although the approval of relevant government departments is required. The only areas where restrictions to ownership occur are in the banking, broadcasting and newspaper-publishing sectors. Special incentives have been developed to encourage high-technology based sectors.

Singapore has developed many tax incentives to attract both foreign and local investment. Currently, there is no differentiation made between foreign and local investment capital. *These incentives include various tax breaks and cover such aspects as pioneer status, expansion incentives, investment allowances, research development expenses and international consultancy services.* Special incentives have been developed to encourage high-technology based sectors.

As well, the Economic Development Board of Singapore has made available a range of economic development assistance programmes. They are designed to provide financial assistance for small to medium-sized companies and joint ventures.

RECENT ECONOMIC DEVELOPMENTS IN SINGAPORE

The economy is continuing its strong 1993 performance, when GDP growth reached 9.9 percent, with 1994 growth forecast for 8 percent, and 1995 only slightly lower than that. In 1993, growth was led by the financial sector (17 percent) and the lure of Singapore Telecom's privatization. All sectors except construction averaged growth of 8 percent. In 1994, the electronics sector led growth due to strong export demand. Wages increased by 6 percent in 1993, marginally below the 6.4 percent increase in productivity. This is contrary to the past four years, when the tight labour market (unemployment remains at 2.7 percent) led to wage increases exceeding productivity gains.