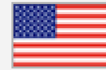
Press Releases and Other Information



Singapore and US Reach Agreement on the Issue of Free Transfer of Capital, 16 January 2003

The Singapore and US Governments have reached an agreement on the issue of free transfer of capital, which was the only outstanding matter in the US-Singapore Free Trade Agreement. The agreement provides for the free transfer of capital in both countries and enhances the protection and rights of US investors, while maintaining Singapore's freedom of action to take appropriate measures in the event of an economic crisis.

Singapore and the US share a strong commitment to the free and unfettered flow of capital. Both countries have therefore taken on an obligation in the FTA to guarantee investors free transfers into and out of their countries. The protection and rights afforded to investors under this agreement are substantially higher than under the WTO Agreements.

An open capital account has been and remains a critical factor underpinning Singapore's economic growth and development as a financial centre. Singapore fully intends to maintain its reputation as an international financial centre, and does not envisage having to impose restrictions on capital flows.

However, in an extreme balance of payments crisis that threatens to severely destabilise the economy, Singapore needs the flexibility to take all appropriate measures, including, where absolutely unavoidable, restrictions on capital flows. The agreement therefore contains special provisions under which Singapore would not be liable for claims for damages by investors if it imposes restrictions on capital account transactions, provided the restrictions last for less than one year and do not substantially impede transfers.[1]

These special provisions apply only to short term capital account transactions, such as portfolio investments and inter-bank loans and placements. They do not apply to current payments and transfers such as debt servicing, profit repatriation, and dividend payments as well as proceeds from the sale of foreign direct investments. Thus even in a crisis, while Singapore retains the flexibility to place temporary restrictions on potential short-term flows, current payments and direct investments will be fully protected by the free transfers provision.

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[1]The agreement clarifies that a restriction is presumed not to substantially impede transfers if it meets certain conditions such as being non-confiscatory, non-discriminatory, price-based (e.g. in the form of a tax or levy), and not interfering with the investor's ability to earn a market rate of return in Singapore. The agreement also clarifies the scope of compensation that investors affected by measures that are deemed to substantially impede transfers may seek.

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MONETARY AUTHORITY OF SINGAPORE
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