COVID-19 & The Little Red Dot – Important Lessons for Trade in Times of Global Pandemic Based on Singapore’s Experience

Towards Model Provisions for Investment in Times of Crisis

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On behalf of Team 175 - https://www.unescap.org/sites/default/files/175%20Final-Team%20Henry%20Gao-SMU.pdf
How do we promote or encourage investments even in times of crisis?
Adjusting regulatory requirements to promote investments
Singapore’s easing of regulatory requirements in light of COVID-19

Real Estate Investment Trusts (REITs)

- Assistance provided to REITs on the Singapore Exchange to manage their cash flows and raise funds:
  - Extension of time to distribute at least 90% of their taxable income
  - Increased leverage limits for greater flexibility to manage capital structure
  - Deferment of new requirements that REITS must meet to increase their leverage by two years
  - Increase of share issue limit for REITS
  - Suspension of Singapore Exchange “Financial Watch-List”
Model provisions that could emerge

1. Parties understand the need to **support issuers** amid the challenging business and economic climate due to COVID-19, **including enabling the acceleration of fundraising efforts**.

2. COVID-19 has caused a drastic global deterioration in business conditions for all companies, with many experiencing significant loss of revenue and profitability. Share prices of companies have also fallen, translating to sharp declines in market capitalisation. Companies are also likely to face liquidity crunch at this time as banks are tightening credit. Accordingly, Parties will **provisionally suspend reviews to place issuers on the Financial Watch-List (or any equivalent List in the Party’s country)**.

3. The suspension is to enable issuers to **focus on meeting the current business and economic challenges** and dealing with any resultant liquidity crunch, and **will be reviewed subsequently on a set date**.
Singapore’s measures for the FinTech Industry
Bilateral partnerships to promote sectoral investments
Singapore-Germany Start-Ups Collaboration

- Partnership began in 2018 between the two countries to support the expansion of startups from Germany to Singapore and vice versa:
  - Free office spaces
  - Access to mentors and networks
  - Support in search of VC options
  - Validation and Adaptation of Corporate Strategy

- Fear when COVID-19 hit was that this programme would come to a halt
Germany and Singapore reaffirm collaboration on startups amid COVID-19

1. The devastating effects of the COVID-19 pandemic can be felt worldwide across countries, businesses, and communities. Now more than ever, governments are not only managing a health crisis, but also working on cushioning the economic impact of this pandemic. It is important that countries reinforce trade and economic cooperation amid current global travel restrictions and border closures.

2. The Governments of Germany and Singapore have introduced measures to support businesses in riding out the COVID-19 crisis. Both countries also reaffirm their continued cooperation in fostering innovation and entrepreneurship, through the partnership under the Global Innovation Alliance. Through the landing pad established in Singapore, the German Federal Ministry of Economics and Energy has established the German Accelerator in Asia (GASEA), which facilitates the expansion of German startups to Asia via Singapore, while Singapore has established Scaler8, which supports the expansion of Singaporean startups to Germany.

3. To support startups and maintain the flourishing interactions between the startup ecosystems of Singapore and Germany amid the current safe distancing measures, both countries have developed new ways of safe collaboration. For example, GASEA and Scaler8 are now offering startups online versions of their programmes. These include webinars, workshops, and tailored mentorship sessions.

4. Germany and Singapore will continue to provide support on the ground as well as virtually to German and Singaporean startups. "True friendship is proven in hard times. Germany and Singapore are determined to keep things going and to be prepared for the time when we have collectively beaten the virus," said Dr. Ulrich Nussbaum, State Secretary at the Federal Ministry for Economic Affairs and Energy (BMWI). "Germany and Singapore have a track record of strong bilateral cooperation and during these unprecedented times, it is even more crucial for us to maintain our collaborative efforts. We look forward to strengthening our bilateral relationship with Germany as we emerge together from the COVID-19 crisis," said Gabriel Lim, Permanent Secretary for Singapore’s Ministry of Trade and Industry.

FEDERAL MINISTRY OF ECONOMIC AFFAIRS AND ENERGY, GERMANY

MINISTRY OF TRADE AND INDUSTRY

13 MAY 2020
Model provisions that could emerge

1. Parties acknowledge that it is important for them to reinforce trade and economic cooperation amid current global travel restrictions and border closures.

2. Parties commit themselves to continued cooperation in fostering innovation and entrepreneurship and encouraging investments.

3. To support startups and maintain the flourishing interactions between Parties’ startup ecosystems amidst the current safe distancing measures, Parties endeavour to develop and share new ways of safe collaboration.
Regional Trade Agreements with Investment Chapters
ASEAN-China Free Trade Agreement (ACFTA)
Investment Chapter of ACFTA

- Investment Chapter came into force in August 2009
- Includes a wide range of provisions aimed at protecting investors and investments - MFN Treatment, National Treatment, etc.
- Article 20: Promotion of Investment
- Article 21: Facilitation of Investment
- Upgrade Protocol to ACFTA entered into force in September 2016
Article 20
Promotion of Investment

The Parties shall cooperate in promoting and increasing awareness of ASEAN-China as an investment area through, amongst others:

(a) increasing ASEAN-China investments;
(b) organising investment promotion activities;
(c) promoting business matching events;
(d) organising and supporting the organisation of various briefings and seminars on investment opportunities and on investment laws, regulations and policies; and
(e) conducting information exchanges on other issues of mutual concern relating to investment promotion and facilitation.

Article 20 of the Investment Agreement shall be substituted by:

"1. Each Party shall further cooperate in promoting and increasing investment activities by building upon existing agreements or arrangements already in place for economic cooperation in order to strengthen the economic relationship among the Parties.

2. For the mutual benefit of the Parties, each Party shall encourage and create favourable conditions for investors and their investments.

3. The Parties shall cooperate in promoting and increasing awareness of the Parties as an investment area, through, among others:

(a) increasing investments among the Parties;
(b) organising investment promotion activities, including business matching events;
(c) enhancing industrial complementation and production networks;
(d) organising and supporting the organisation of various briefings and seminars on investment opportunities and on investment laws, regulations and policies; and
(e) conducting information exchanges on other issues of mutual concern relating to investment promotion and facilitation."

Article 21
Facilitation of Investment

Subject to their laws and regulations, the Parties shall cooperate to facilitate investments amongst ASEAN and China through, amongst others:

(a) creating the necessary environment for all forms of investment;

(b) simplifying procedures for investment applications and approvals;

(c) promoting dissemination of investment information, including investment rules, regulations, policies and procedures; and

(d) establishing one-stop investment centres in the respective host Parties to provide assistance and advisory services to the business sectors including facilitation of operating licences and permits.

Article 21 of the Investment Agreement shall be substituted by:

“1. Each Party should endeavour to further create stable, favourable and transparent conditions in order to encourage greater investment by investors of another Party in its territory.

2. Subject to their laws and regulations, the Parties shall cooperate to facilitate investments among the Parties through, among others:

(a) creating the necessary environment for all forms of investment;

(b) simplifying procedures for investment applications and approvals;

(c) promoting dissemination of investment information, including investment laws, rules, regulations, policies and procedures; and

(d) utilising existing Investment Promotion Agencies or, where necessary, establishing one-stop investment centres or similar mechanisms in the respective host Parties, to provide assistance and advisory services to the business sectors including facilitation of operating licences and permits.”
Joint Statement on Combating the COVID-19 and Enhancing ACFTA Co-operation

- Called for joint efforts in:
  - Mitigating the impact of the pandemic on global and regional trade and investment
  - Restoring economic and trade confidence
  - Pursuing and securing sustainable and long-term growth of international trade and investment

- Reaffirmed the importance of ACFTA in boosting trade and investment, determined to improve market access through addressing non-tariff barriers to trade and deepening economic co-operation

- Committed to a free, open, transparent and non-discriminatory, predictable and stable trade and investment environment
Model provisions that could emerge

1. Parties commit to share anti-pandemic information and experiences in a prompt and efficient manner, as well as deepen co-operation on prevention and control of COVID-19.

2. Parties commit to continue to work closely to overcome the challenges brought about by the COVID-19 outbreak.

3. Parties commit to further strengthen collaboration at all levels across the region and countries on the prevention and control of COVID-19, including through regular, timely and transparent exchange of information and sharing of knowledge, experience and best practices, as well as on facilitating production and access to medicines and vaccines used for the treatment of COVID-19.

4. Parties express their commitment to ensure that technical information exchange and knowledge-sharing is transparent and efficient. This will ensure that the knowledge and experience of each country translate into best practices for the region, support to mitigate the negative impacts on healthcare, manufacturing, trade, investment and tourism.
Important Caveats

- **Singapore did not need to restrict investments**, or impose significant restrictions which would affect incoming investments

- Singapore is **heavily reliant on trade as a matter of survival**, and so had to quickly ensure trade lines remain open

- Investor confidence in crisis setting is **contingent on the country’s ability to contain the crisis quickly** – Singapore was able to do that

- There was **already long-time investor confidence in Singapore**

- Singapore **already had the structures, schemes, grants and incentives in place to attract investors**
Broad Lessons

- Investment promotion cannot be a crisis strategy
- **Sector-specific partnerships** can be quite useful
- Country must have the **structures, schemes, grants and incentives** in place to attract investments
- **Managing the actual crisis is very important** in maintaining investor confidence
- **Reaffirming existing partnerships** and **strengthening collaborations** during crisis periods is helpful
- There must be **willingness to adjust domestic regulatory requirements** affecting investors and businesses during crisis