

EUROPEAN UNION-SINGAPORE FREE TRADE AGREEMENT MOVES ONE STEP CLOSER TO RATIFICATION

The European Union (EU)-Singapore Free Trade Agreement (EUSFTA) has moved one step closer to ratification with the finalisation of the legal text today. The legal text of the Agreement was initialled by Chief Negotiators from Singapore and the European Union (EU), Mr Keith Tan and Mr Rupert Schlegelmilch. This is a significant milestone for Singapore and the European Union, in deepening the Singapore and EU bilateral and economic relations.

2 The EUSFTA is a comprehensive agreement with extensive commitments by EU and Singapore to provide even greater access to both markets. It is the first bilateral Agreement concluded by the EU with an ASEAN country and the second Agreement between the EU and an Asian country, after South Korea.

3 The Agreement scores many firsts. It allows processed Asian food products made in Singapore, such as chicken and pork floss, *samosa* (fried/baked pastry with a savoury filling), canned luncheon meat, *shaomai* (Chinese dumpling), fish balls and crab balls to enter the EU tariff free within an annual quota.¹ It is also the first bilateral FTA with an ASEAN cumulation concept, where Singapore manufacturers will be able to count the use of raw materials and parts sourced from other ASEAN member countries to determine whether their exports can enjoy the tariff concessions. This is also the EU's first green FTA, where Singapore and EU will make commitments to encourage more sustainable development in trade.

4 Mr Tan said, "We are very happy with the significant progress made in securing such an extensive agreement. This is an important FTA for Singapore and will further strengthen the strong ties Singapore already enjoys with the EU. Unlike other typical FTAs in which bilateral free trade occur between two specific countries, the EUSFTA covers all EU Member States. Not only will Singapore businesses be able to gain easier access to markets in 28 EU Member States but EU companies can also leverage on Singapore as a gateway and hub to do business across Asia. "

5 "We are pleased to present today one of the most comprehensive free trade agreements ever negotiated, and to submit it to our respective authorities for approval", said Rupert Schlegelmilch, the EU's chief negotiator of this trade agreement. "The EU and Singapore are already trading €1 billion worth of goods every week, and the agreement lays the foundations upon which business ties can prosper further. This is also the first step towards closer economic ties between the two major integrated regions in the world, the Association of Southeast Asian Nations (ASEAN) and the EU, and their 1.1 billion citizens."

¹ Subject to relevant EU food safety standards.

Benefits for companies

6 The EUSFTA is an ambitious agreement that will allow both Singapore and EU firms to enjoy greater market access and business opportunities. Based on Singapore's latest bilateral trade figures in 2012, S\$23.2 billion worth of Singapore goods (representing 80% of all EU tariff lines) will qualify for immediate tariff free treatment, while the remaining S\$4.3 billion worth of Singapore goods (representing 20% of tariff lines) will qualify at three or five years after the Agreement enters into force. Singapore-based exporters, particularly those in the electronics, chemicals, pharmaceuticals, machinery and processed Asian food products sectors, will stand to benefit from the removal of tariffs. Singapore will eliminate all import duties on goods of EU origin immediately upon the EUSFTA entering into force.

7 Other than big firms, Small and Medium Enterprises (SMEs), which form the backbone of the Singapore economy, can also reap the benefits of the FTA. Companies which export electronics, machinery, chemicals or processed Asian food products will enjoy enhanced market access into the EU. As the EU maintains relatively higher tariffs for processed foods, the benefits will be particularly useful for Singapore's food manufacturing companies, many of which are SMEs.

8 Besides eliminating import duties, the EUSFTA aims to eliminate and prevent non-tariff barriers to bilateral trade between the EU and Singapore. For instance, consumer electronics and telecommunication products that conform with relevant Singapore or EU standards can be sold in the respective markets without additional testing or certification requirements. This reduces business costs and products' time-to-market, benefiting just-in-time production networks of the 21st century.

9 The Agreement will also grant Singapore companies access to city-level and municipal-level government procurement opportunities in the EU, which has the largest government procurement market in the world. This is advantageous for companies with strengths in computer and related services, telecommunications services, land transport services, maintenance and repair services, sewage and refuse disposal, and architecture and engineering services.

Benefits for consumers

10 Singapore consumers will also benefit from the EUSFTA. Under Singapore's current regime, most imports already have duty free access, with the exception of some alcohol products. With the EUSFTA, consumers will be able to enjoy alcohol beverages such as beer and stout from the EU at a lower cost.

11 In addition, the EUSFTA will offer a high level of protection for commercially important European Geographical Indications (GIs). This will strengthen Singapore consumers' recognition of top-quality EU food products, wine, spirits and beers.

12 The EUSFTA also brings with it indirect benefits. The Agreement opens up new markets and greater access to services in 28 EU member states for Singapore companies. This may in turn create more and better quality jobs for Singaporeans.

Next steps

13 Negotiations on the EUSFTA were concluded on 16 December 2012. The initialling of the EUSFTA signifies the finalisation of the legal text of the agreement. Following the initialling, the text will be translated from English into the 23 other official EU languages and be presented to the Council of the EU for its approval. Upon Council approval, the agreement will be signed and presented to the European Parliament (EP) for its consent. Once the EP ratifies the agreement, it may enter into force on a date mutually agreed between the EU and Singapore.

14 Meanwhile, companies are encouraged to follow the development of the EUSFTA closely, to explore how they can leverage on the Agreement to tap on new markets access and opportunities. The text of the Agreement will be made available on <http://trade.ec.europa.eu/doclib/press/index.cfm?id=961> by 21 September 2013.

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EUROPEAN UNION-SINGAPORE FREE TRADE AGREEMENT FACT SHEET: 5 THINGS YOU SHOULD KNOW

“Singapore is a dynamic market for EU companies and is a vital hub for doing business across Southeast Asia. The agreement is key to unlocking the gateway to the region and can be a catalyst for growth for EU exporters. After our agreement with South Korea, sealing this deal with Singapore clearly puts the EU on the map in Asia.”

~ EU Trade Commissioner Mr Karel De Gucht

“There are numerous opportunities and benefits that EU and Singaporean companies can look forward to, once the Agreement enters into force. Singapore is confident that the EUSFTA will further enhance our bilateral economic relations, and pave the way for a region-to-region trade deal between the EU and ASEAN.”

~ Singapore Trade Minister Mr Lim Hng Kiang

1. WHAT IS THE EUSFTA?

The EUSFTA is a comprehensive agreement between Singapore and the EU covering the following key areas:

Elimination of import duties and taxes	Improved market access for trade in services and establishment	More government procurement opportunities
Enhanced cooperation in customs and trade facilitation matters	Tackling technical and non-tariff barriers to trade	Collaboration in the implementation of sanitary and phytosanitary measures
Protection of intellectual property rights	Robust disciplines on competition policy	Commitment to sustainable development

- It is a significant milestone that will further deepen Singapore and EU bilateral and economic relations.
- It will result in cost savings for both businesses and consumers, introducing a potentially wider diversity of goods and services for both markets.
- The EUSFTA can be the tool for EU companies to use Singapore as a springboard into the ASEAN region and for Singapore companies to grow their businesses with deeper penetration into the 28 Member States of the EU.
- The EUSFTA also acts as a pathfinder for the EU’s FTA efforts with other ASEAN countries.

2. WHAT IS SO SPECIAL ABOUT THE EUSFTA?

The EUSFTA is the first bilateral Free Trade Agreement (FTA) concluded by the EU with an ASEAN country. It is the second agreement between the EU and an Asian country (after South Korea). The EUSFTA also potentially opens up more trade and opportunities between EU and Singapore and the larger ASEAN region.

The EUSFTA scores many firsts:

- Liberal and trade facilitative Rules of Origin (ROO) will allow processed Asian food products made in Singapore, such as chicken and pork floss, *samosa* (fried/baked pastry with a savoury filling), canned luncheon meat, *shaomai* (Chinese dumplings), fish balls and crab balls to enter the EU tariff free within an annual quota.²
- Import duties will be eliminated on most products as soon as the FTA enters into force. Goods produced from components and parts sourced from other ASEAN countries for Singapore's key exports can also be considered as originating inputs.
- To make the EUSFTA a 21st century FTA, and in line with global efforts to reduce greenhouse gas emissions, the EUSFTA includes a chapter on renewable energy generation, which aims to promote, develop and increase the generation of energy from renewable and sustainable non-fossil sources.

3. WHAT DO YOU NEED TO KNOW ABOUT THE EU & SINGAPORE MARKETS?

The EU is Singapore's 2nd largest trading partner³. Our bilateral trade hit S\$105 billion in 2012. This is about 11% of Singapore's bilateral trade with the rest of the world.

The EU is also Singapore's largest foreign investor, with a total foreign direct investment (FDI) stock of nearly S\$193 billion in 2011. This amounts to 30% of the total FDI Singapore receives.

About 9,300 EU companies have operations in Singapore. Many of them use Singapore as their regional HQ to source from and trade with the region. This shows how important Singapore is as a strategic gateway to Asia and ASEAN.

Singapore is the EU's 13th largest trading partner in the world and 5th largest in Asia⁴. Our top export products are electronics and organic chemicals, while we import mainly machinery, mechanical appliances and mineral fuel.

Singapore's investment into the EU is more than S\$47 billion in 2011, which amounts to 11% of our total outward investment. This makes us the EU's 7th largest investor and 2nd largest Asian investor, just after Japan.

² Subject to relevant EU food safety standards.

³ Singapore's top trading partner is Malaysia.

⁴ After China, Japan, India & South Korea. Ahead of Hong Kong (18th), Taiwan (19th) and Malaysia (23rd).

4. WHAT IS IN THE EUSFTA?

a. Elimination of Import Duties and Taxes

Under the EUSFTA, tariffs on qualifying Singapore exports into the EU will be progressively eliminated over a transitional period of 5 years, so that EU producers can gradually adapt to the lowering of import duties in certain sectors. Singapore exporters of electronics, pharmaceuticals, petrochemicals and processed food products will be among the main beneficiaries from the removal of import duties.

The EUSFTA also marks the first bilateral FTA where processed Asian food products made in Singapore, such as chicken and pork floss, *samosa* (fried/baked pastry with a savoury filling), canned luncheon meat, *shaomai* (Chinese dumplings), fish balls and crab balls can enter the EU tariff free within an annual quota.

Meanwhile, Singapore will grant immediate duty-free access for all imports from the EU, including beer and stout. Consumers in Singapore and the EU can therefore expect to benefit from lower prices for imports.

Rules of Origin (ROO)

The EUSFTA provides liberal and flexible ROO for Singapore's key exports to the EU. This includes, but is not limited to, electronics, machinery, pharmaceuticals and petrochemicals. The ROO of each product would depend on what is listed under the Product Specific Requirements. Most key exports have co-equal rules, which mean companies can choose to utilise one type of ROO or another to qualify as an originating product, thus providing exporters with significant flexibility.

Notably, the EUSFTA incorporates the concept of "ASEAN cumulation" for key exports, which would allow Singapore manufacturers to count the use of components and parts sourced from other ASEAN member countries as originating content when determining whether their exports can meet the required ROO to enjoy the tariff concessions. The EUSFTA is the first bilateral FTA concluded by Singapore with such a provision.

b. Tackling Technical and Non-Tariff Barriers to Trade

The EUSFTA contains disciplines to reduce and prevent obstacles to trade between the EU and Singapore by the adoption of relevant international standards, eliminating duplicative testing and certification requirements and enhancing transparency of technical requirements.

Specifically, the EUSFTA addresses non-tariff barriers between the EU and Singapore in three sectors: electronics, motor vehicles and vehicle parts, as well as pharmaceuticals and medical devices. It will be easier for both Singapore and EU exporters of these products to sell these goods in each others' markets with greater awareness and certainty of the relevant technical requirements, and in some instances, exporters will

benefit from the removal of duplicative and expensive testing and certification requirements.

In line with global efforts to reduce greenhouse gas emissions, the EUSFTA also includes a chapter on renewable energy generation, which aims to promote, develop and increase the generation of energy from renewable and sustainable non-fossil sources. Significantly, both the EU and Singapore will refrain from adopting measures providing for local content requirements, so as to reduce technical barriers to trade and investment in this sector. This is the first time that Singapore is making such a commitment under a bilateral FTA.

c. Improved Market Access for Trade in Services and Establishment

The EUSFTA provides legally-binding guarantee of preferential market access and elimination of discriminatory barriers for a range of sectors of interest to EU and Singapore's services suppliers. These sectors include environmental services, computer and related services, professional and business services, financial services, maritime transport services, as well as telecommunications and postal services.

This ensures that both EU and Singapore's services suppliers will benefit from a level playing field created in each others' markets.

d. More Opportunities in Government Procurement

The EUSFTA will widen access to government procurement opportunities in the EU and Singapore.

The EU, which has the largest and most competitive government procurement market in the world, will grant Singapore access to city-level and municipal-level government procurement opportunities. Given the significant role of the EU's sub-central level government entities as purchasers of goods and services, this represents sizeable opportunities for Singapore companies, and especially for those with strengths in computer and related services, telecommunications services, land transport services, maintenance and repair services, sewage and refuse disposal, and architecture and engineering services.

In return, Singapore will grant the EU significantly more guaranteed opportunities in public tenders compared to any other country. Both EU and Singapore suppliers can therefore look forward to even more government tendering opportunities.

e. Protection of Intellectual Property Rights

The EUSFTA puts in place an enhanced level of Intellectual Property Rights (IPR) protection. The key changes that Singapore will undertake are as follows:

- i. Singapore will enhance our domestic regime to allow for the formal registration and enhanced protection of goods bearing geographical indications (GI).

A GI is a name or sign used on certain products which corresponds to a specific geographical location or origin. It may act as a certification that the product

possesses certain qualities, is made according to traditional methods, or enjoys a certain reputation, due to its geographical origin.

The recognition and enhanced protection for GIs will strengthen Singapore consumers' recognition of top-quality EU food products, wines, spirits and beers.

- ii. Two years after the EUSFTA's entry into force, Singapore will amend our Copyright Act to allow producers of sound recordings to receive remuneration when their music is broadcast to the public or played in a public location.

Within three years after the EUSFTA's entry into force, Singapore will expand the scope of border enforcement measures to include goods which has infringed the IPR of GIs and designs.

f. Commitment to Sustainable Development

Both Singapore and the EU share the view that the best way to ensure mutual supportiveness between trade/economic development and sustainable development is through open markets and the liberalisation of environmental goods and services. Hence, the principles of sustainable development in trade are enshrined in the EUSFTA to ensure that trade supports environmental protection and social development, and does not come at the expense of the environment and labour rights. Rules to boost trade and investment in environmental technologies will also be simplified. There will be room for civil society participation in overseeing the implementation of these commitments.

5. WHAT'S NEXT?



For more information:

- EUSFTA Text: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=961>
- Singapore's other FTAs: www.fta.gov.sg