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FREE TRADE AGREEMENT BETWEEN THE EUROPEAN UNION AND SINGAPORE (EUSFTA)

A guide for
Singapore-based
companies to
understanding the
EUSFTA



MTI MINISTRY OF TRADE
AND INDUSTRY
SINGAPORE




Significant trading partner
EUSFTA ASEAN cumulation
EUROPEAN UNION
Protection for Geographical Indications
Tariff elimination
Building block for a region-to-region FTA
More Government Procurement opportunities
Improves business
Preferential access in services
Reduced duplicative testing
Renewable Energy Generation
Ground-breaking
Asian Food Products
500 million people in 28 countries
IPR protection
Increases
environment
Comprehensive

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LEGEND




Chemicals




Electronics




Food Manufacturing




Motor Vehicles & Vehicle Parts



Pharmaceutical Products & Medical Devices



Renewable Energy Generation Sector



Services



CHAPTER 01

ABOUT THE EUSFTA

The Free Trade Agreement between the European Union and Singapore (EUSFTA) is the first bilateral FTA concluded between the EU and an ASEAN country. Negotiations on the EUSFTA began in March 2010, and were completed in Singapore on 9 October 2014.

The EUSFTA is a comprehensive agreement covering market access for goods, trade remedies, customs & trade facilitation, trade in services and establishment, intellectual property rights, technical barriers to trade, sanitary and phytosanitary measures, government procurement, competition policy, sustainable development and dispute settlement mechanism. The EUSFTA also addresses non-tariff barriers to trade in four major sectors: electronics, motor vehicles and vehicle parts, pharmaceutical products and medical devices, as well as the renewable energy generation.

The EUSFTA comprises 17 Chapters, one protocol and four understandings. This guide is for companies to better understand the practical aspects of the EUSFTA. The following sections provide a summary of the key commitments made under the FTA.



This publication by the Government of the Republic of Singapore [“the Government”] provides an overview and a practical business guide to the Agreement between the European Union and Singapore on the European Union-Singapore Free Trade Agreement. Further information on the Agreement will be made available on Singapore’s FTA Network (www.fta.gov.sg) and the European Commission (DG Trade) website (ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/).

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SINGAPORE-EU TRADE AND INVESTMENT RELATIONS

Singapore is the EU’s 15th largest trading partner globally. The EU is Singapore’s third largest trading partner. In 2013, Singapore’s bilateral trade with the EU amounted to S\$97 billion, or 10% of our trade in goods with the world. Many exporters use Singapore as the gateway into the growing ASEAN¹ market of some 600 million consumers.

TRADE WITH EU

the EU is Singapore’s
3rd largest
trading partner

while Singapore is the EU’s
15th largest
trading partner



In 2013, EU-Singapore trade in goods amounted to some
S\$97 billion

The EU is the largest market for Singapore’s services exports, amounting to S\$21.8 billion or 17.3% of our total services exports globally in 2012. Transport services, financial and insurance services, business management services, as well as maintenance and repair services formed the majority of Singapore’s trade in services with the EU.

The EU is Singapore’s largest foreign investor. Some 10,000 EU companies, with an accumulated foreign direct investment (FDI) stock of S\$227 billion in 2013, are established in Singapore and use it as a hub to serve the whole Asia Pacific. Singapore is the second largest Asian investor (after Japan) and seventh largest external investor in the EU, with an FDI stock of S\$76.6 billion in 2013.

The EUSFTA will be a key addition to Singapore’s network of over 20 FTAs and is expected to yield significant benefits for **Singapore exporters and investors**, as well as **Singapore-based companies**. It will provide greater market access and protection for Singapore exporters and investors growing their business in the EU. Singapore-based companies exporting to Europe stand to enjoy a myriad of benefits like tariff concessions, preferential access to certain sectors, faster entry into EU markets and enhanced intellectual property rights protection.

¹ ASEAN as a whole represents the EU’s fifth largest trading partner (after the United States, China, Russia and Switzerland), with more than S\$290 billion (£180 billion) of trade in goods and services in 2013, while the EU is ASEAN’s second largest trading partner after China, accounting for around 9.8% of ASEAN trade.



LIBERALISING TRADE IN GOODS

ELIMINATION OF CUSTOMS DUTIES AND TAXES

Singapore will stand to benefit from the progressive elimination of customs duties on all qualifying exports to the EU once the FTA is fully implemented. Tariffs on qualifying Singapore exports will be progressively eliminated over a transitional period of 5 years. Examples of sectors that would benefit from the removal of tariffs are **electronics, pharmaceuticals, petrochemicals and processed agricultural products**.

1st Year

84%² customs duties on goods of Singapore's domestic exports to the EU will be removed

3rd Year

90% of Singapore's domestic exports will enter the EU tariff-free

5th Year



² Based on the trade patterns of 2012

Table 1: Tariff Elimination Stages Based on a **Hypothetical** EUSFTA Entry Into Force Date of 1 January 2017

Staging Category (No. of years from FTA ratification)	Tariff Staging (Upon Implementation)	Hypothetical Date of Entry Into the EU Tariff	Examples of Products
Entry Into Force	Immediate Elimination	1 January 2017	Beer and Stout
3	Removed in 4 equal annual stages beginning at Entry Into Force	1 January 2020	Selected Produce, meat such as duck, liver, textiles
5	Removed in 6 equal annual stages beginning at Entry Into Force	1 January 2022	Selected seafood, pork, fruit, textiles, consumer goods such as footwear

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

In addition, both the EU and Singapore committed not to increase any existing customs duty or introduce any new customs duty on goods imported from the other Party, following the entry into force of the EUSFTA.

Finally, the agreement incorporates fundamental WTO disciplines on national treatment, prohibition of import and export restrictions, state trading enterprises, as well as elimination of sectoral non-tariff measures on goods such as automobiles, electronics and pharmaceuticals.



LIBERAL AND FLEXIBLE RULES OF ORIGIN (ROO)

The EUSFTA will provide for liberal and flexible rules of origin (ROO) for Singapore's key exports to the EU, including electronics, machinery, pharmaceuticals and petrochemicals. The ROO of each product would depend on what is listed under the Product Specific Requirements. Regional Value Content (RVC) rules are calculated based on Ex-Works incoterms. Most key exports have co-equal rules. Co-equal rules allow companies to utilise one type of ROO or another to qualify as an originating product, thus providing exporters with significant flexibility.

Some examples of the flexible ROO agreed upon under the EUSFTA are:

- a. Electronics and Electrical Equipment: most lines have co-equal rules of tariff shift and regional value content.
- b. Petrochemicals: most lines have co-equal rules of either
 - (i) tariff shift & regional value content, or
 - (ii) regional value content and process rules.

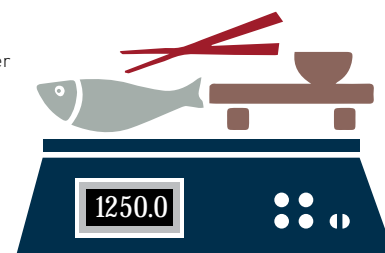
Notably, the EUSFTA will incorporate the concept of "ASEAN cumulation" for Singapore's key exports to the EU. ASEAN cumulation allows Singapore manufacturers to include the use of raw materials and parts sourced from ASEAN Member States (AMS) as originating content when determining whether their exports can meet the required ROO. The EUSFTA is the first bilateral FTA concluded by Singapore to have the concept of ASEAN cumulation in its ROO regime.

The EUSFTA also marks the first bilateral FTA where Asian food products made in Singapore can enter the EU tariff free under liberal ROOs³, up to a combined quota of 1,250 tonnes annually.

Asian food products* made in Singapore, can enter the EU tariff free up to a combined quota of

1,250 tonnes annually

* such as spicy *ikan bilis* (anchovies), canned luncheon meat, *shaomai* (Chinese dumplings) and *roti paratha* (Indian flat bread),



³ There is no need to ensure that the ingredients used in these processed food products were grown or produced in Singapore. All that is necessary is to show that the product was made in Singapore. These food products will be subjected to relevant EU sanitary and phytosanitary requirements.

HOW TO QUALIFY FOR THE TARIFF PREFERENCES (RULES OF ORIGIN)

How can companies benefit from tariff elimination?

Only products "originating" (produced or processed) in Singapore or the EU can benefit from the preferences granted under the EUSFTA.

In addition, goods must:

- (i) fulfil certain additional requirement; and
- (ii) be accompanied by an "origin declaration".

When does a product "originate" in Singapore or the EU?

There are two main criteria for a product to be considered as "originating" in Singapore or the EU:

It has been wholly obtained in Singapore or the EU

(viz., plants and vegetables grown or harvested, live animals born and raised, products from live animals raised there, products from slaughtered animals born and raised there, fish when caught in the territorial waters)

It has undergone sufficient working or processing in Singapore or the EU. Examples of the criteria for determining "sufficient working or processing" include:

Manufacture from materials of any heading, except that of the product

Manufacture in which the value of all the "non-originating" materials used does not exceed 50% of the Ex-Works price of the product.

What additional conditions have to be fulfilled?

Goods have to be transported directly from Singapore to the EU (or vice versa).

How can companies take advantage of ROO?

Companies can look into adapting their supply chain patterns, including sourcing raw materials and parts from Singapore, EU and ASEAN Member States (for specified lines) to meet the ROO and obtain preferential treatment.



MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT

REDUCING TECHNICAL AND NON-TARIFF BARRIERS IN KEY SECTORS

The EUSFTA seeks to reduce and prevent obstacles to trade between the EU and Singapore in key sectors such as electronics, motor vehicles and vehicle parts, as well as pharmaceuticals and medical devices. These rules will make it easier for both Singapore and European exporters to sell these goods in each others' markets, without having to duplicate testing and certification procedures.

Electronics

Exporters of consumer electronics and telecommunication products will stand to benefit from the elimination of duplicative testing⁴ and reduce time to market:

- a. Singapore and the EU agreed to base their respective regulatory requirements on international standards set by the International Organisation for Standards (ISO), International Electrotechnical Commission (IEC) and International Telecommunication Union (ITU).
- b. Singapore and the EU are committed to avoid burdensome conformity assessment procedures that prevent or cause undue delay in the placing of consumer electronics and telecommunication products on the market.

Unlike the EU, which regulates all low voltage electrical and electronic products⁵, Singapore only requires third party certification for a short list of consumer electronics ("Controlled Goods") under the Consumer Protection (Safety Requirements) Registration Scheme (CPS Scheme)⁶. For this list of Controlled Goods, Singapore is reviewing the CPS Scheme to streamline administrative procedures to facilitate trade of consumer electronics.

⁴ In relation only to the safety and electromagnetic compatibility of consumer electronics and telecommunication products.

⁵ In the case of the EU, most consumer electronics and telecommunication equipment must comply with the EU's "Low Voltage Directive" and the "Electromagnetic Compatibility (EMC) Directive". Products compliant with relevant EU Directives would be indicated by a "Conformite Europeene" (CE) mark.

⁶ The CPS Scheme identifies a list of 41 categories of "controlled goods" including household electrical, electronic and gas appliances. These products will need to meet very specific safety standards before they are given the SAFETY mark and sold in Singapore. Examples include: Microwave oven, mobile split air-conditioner, mixer/blender/mincer, refrigerator, rice cooker, video cassette recorder, wall switches, plugs etc.

Motor Vehicles and Vehicle Parts

New motor vehicle and car parts from the EU will not be subjected to duplicative testing requirements in Singapore, once these products are certified in accordance with internationally-accepted standards in the EU. Both the EU and Singapore will refrain from the introduction of new domestic regulatory measures which deviate from internationally-accepted standards. In addition, both sides will accept products incorporating new technologies in their markets, unless such new technologies are proven to create a significant risk to human health, safety or the environment.

Pharmaceuticals and Medical Devices

Pharmaceutical products and medical devices are among the EU's most important exporting industries, generating a yearly trade surplus of over €60 billion and employing more than one million workers in the EU. Foreign pharmaceutical companies generally do not face any non-tariff barriers for pharmaceutical products and medical devices in Singapore, and Singapore continues to remain committed to broad disciplines on transparency in the regulation of such products in the EUSFTA. Such disciplines are particularly beneficial for the many leading European pharmaceutical and biomedical sciences companies that leverage on Singapore as their base to drive regional innovation and R&D activities.

The EU will recognise Singapore's standards of "Good Manufacturing Practices" (GMP) in the manufacture of active pharmaceutical ingredients (API) as equivalent to its own. This will facilitate the exports of Singapore API into the EU.



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Renewable Energy Generation

In line with global efforts to reduce greenhouse gas emissions, the EUSFTA aims to promote, develop and increase the generation of energy from renewable and sustainable non-fossil sources.

Both the EU and Singapore have committed our respective regimes for investment in renewable energy generation to remain open and investor friendly. Key elements of this chapter include removing or reducing tariffs and non-tariff barriers, and fostering regulatory convergence with or towards regional and international standards. This is the first time that Singapore has agreed to do so under a bilateral FTA.

The chapter also contains disciplines to ensure that both Singapore and the EU facilitate a level playing field for all investments in renewable energy generation rather than seeking to safeguard the domestic development of the sector. Specifically:

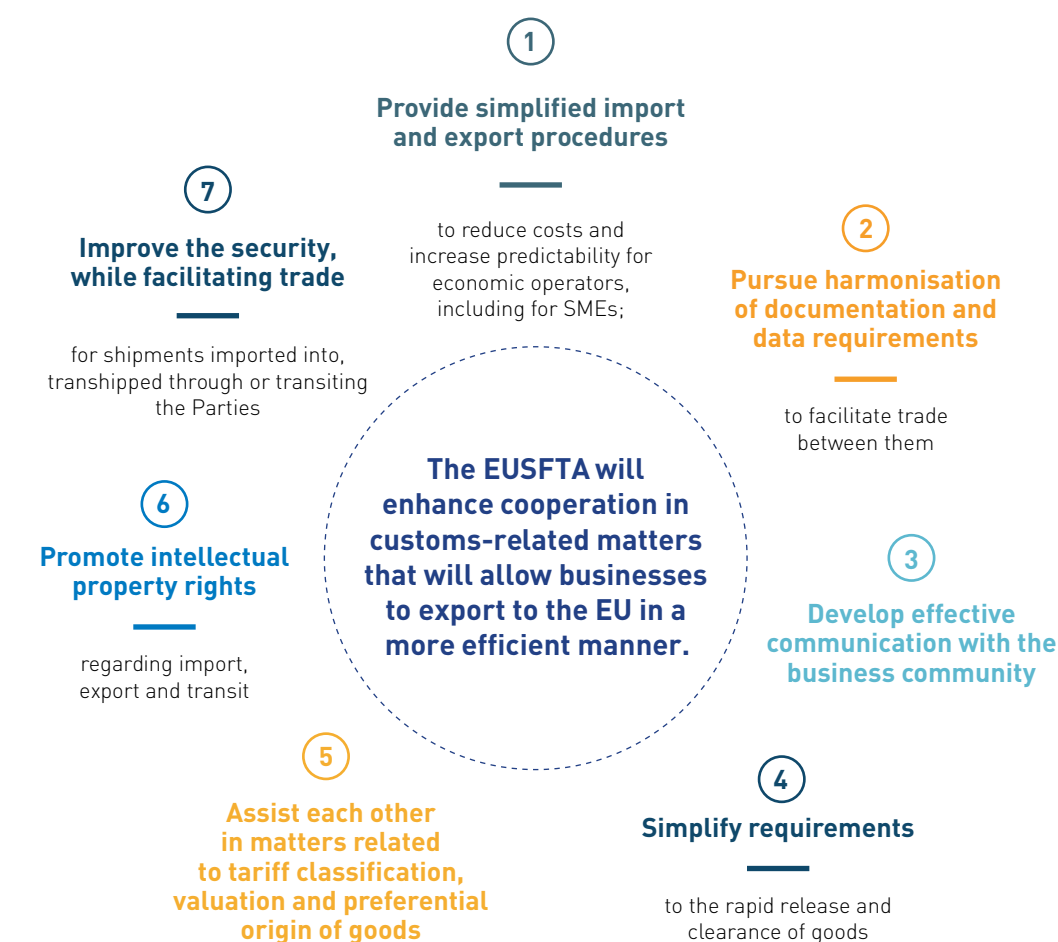
- a. Companies investing in this sector will not be subjected to mandatory local sourcing requirements;
- b. Companies will not be required to form partnerships with local companies, unless such local partnerships are necessary for technical reasons; and
- c. The rules concerning authorisation, certification and licensing procedures relating to investment in this sector would have to be objective, transparent, non-arbitrary and non-discriminatory.

Such initiatives, if expanded to a regional level, will help to ensure greater market access and openness in this sector. It will also provide opportunities for Singapore companies seeking to invest in this field in the EU, including those in the urban solutions cluster.

Sanitary and Phytosanitary Measures

The EUSFTA will further facilitate trade in food products between Singapore and the EU, while maintaining high levels of human, animal and plant health safety. To facilitate the trade of meat and meat products, Singapore will accept pre-listing as one of the possible outcomes of AVA's verification inspection on EU establishments. This will allow EU Member States to export their meat and meat products to Singapore based on verifications and recommendations of their respective competent authorities that they meet Singapore's sanitary and phytosanitary requirements.

CUSTOMS AND TRADE FACILITATION





BETTER ACCESS TO GOVERNMENT PROCUREMENT OPPORTUNITIES

As signatories of the WTO Agreement on Government Procurement (WTO GPA), Singapore and the EU already have substantive mutual commitments on government procurement. The EUSFTA's Government Procurement (GP) chapter expands these mutual commitments to include additional central and sub-central procuring entities and a lower threshold.

The EU has the largest and most competitive government procurement market in the world. Under the EUSFTA, the EU will increase its coverage of procuring entities from approximately 85% under the WTO Government Procurement Agreement (GPA) to almost 90%.

In addition, the EU will grant Singapore companies favourable consideration to access its services concession contracts in the future. Singapore companies are treated the same as EU companies when competing for procurement contracts. Singapore companies that are looking for opportunities in the EU market can look forward to non-discriminatory treatment thus giving them an edge over their competitors when they bid for tender contracts in the EU.

Given the significant role of the EU's sub-central level government entities as purchasers of goods and services, the expanded commitment on sub-central procuring entities represent sizeable opportunities for Singapore companies, 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.

Information about tendering opportunities in the EU can be found on the Tenders Electronics Daily (TED): <http://ted.europa.eu>. The TED provides free access to public procurement opportunities and contract notices from all EU Member States.



The EU will commit an additional 187 central-level government entities under the EUSFTA

Market research and public opinion polling services



Related management consulting services



Engineering and other technical services



Advertising services



Maintenance and repair services



Land transport services



Financial services



Computer and related services



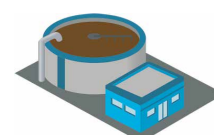
Property management services



Publishing and printing services on a fee or contract basis



Sewage and refuse disposal, sanitation and similar services.



Singapore companies will have access to the EU's railway sector (valued at S\$100-120 billion) and the EU's work concessions contracts (valued at about S\$35 billion).



IMPROVED OPPORTUNITIES FOR TRADE IN SERVICES

The EUSFTA provides legally-binding guarantee of preferential market access and elimination of discriminatory barriers⁷ to the services market in the EU. These sectors include the reduction/removal of restrictions on (i) number of service suppliers, (ii) value of service transactions or assets, (iii) number of service operations or quantity of service outputs, (iv) number of persons that may be employed, (v) specific type of legal entity of interest to both EU and Singapore companies. Some of these sectors are environmental services, computer and related services, professional and business services, legal services, financial services, maritime transport services, as well as telecommunications and postal services.

The table below highlights services sectors committed by the EU.

Clusters	Sectors of interest to Singapore companies that are committed
Professional services	Architectural services, engineering services, integrated engineering services, urban planning and landscape architectural services, and management consulting services.
ICM services	Full commitments for computer & related services, at the 2-digit level.
Research and Development services	R&D on natural sciences and interdisciplinary sciences except for publicly funded R&D services, and R&D for social sciences and humanities.
Environmental services	Waste water services, solid/hazardous waste management, excluding cross-border transport of hazardous waste, protection of ambient air and climate, remediation and clean up of soil and waters, noise and vibration abatement, protection of biodiversity and landscape and others.
Education services	Primary, secondary, higher education and adult education services (only for privately funded services).
Healthcare services	Hospital services, ambulance services, residential health facilities and social services.
Lifestyle and Entertainment services	Library, archive, museum and other cultural services, sporting services and entertainment (including theatre, live bands). Committed banking and financial services (including asset management that would cover project financing for such services).
Transport and Logistics services	Extensive commitments on international maritime transport, internal waterways transport and auxiliary services. Specific obligations on unrestricted access pegged to existing levels of liberalisation. Also committed rail, road and freight transportation, storage and warehousing.
Others	Construction and related services, printing and publishing, interior design and other specialty services, market research, security services, consulting services for energy distribution, distribution services including wholesale trade services, retailing services, franchising services.

⁷ These include the reduction/ removal of restrictions on (i) number of service suppliers, (ii) value of service transactions or assets, (iii) number of service operations or quantity of service outputs, (iv) number of persons that may be employed, (v) specific type of legal entity permitted and (vi) foreign shareholding/equity limits.

The EUSFTA also provides legal assurance that the EU will administer domestic regulations, including that on licensing and qualifications, to Singapore companies in a reasonable, objective and impartial manner. This will further facilitate Singapore service suppliers and investors' access into the EU market.

Further information on the EU's Services-related Directives and regulations can be found on the following websites:

http://europa.eu/legislation_summaries/index_en.htm

http://europa.eu/legislation_summaries/internal_market/single_market_services/index_en.htm

INTELLECTUAL PROPERTY RIGHTS

High level of protection and enforcement of intellectual property rights (IPR) is crucial to both Singapore and European competitiveness. A comprehensive chapter covering provisions on copyright, designs, enforcement and geographical indications (GIs) has been included in the EUSFTA.

Geographical Indications

The EUSFTA will offer a high level of protection for commercially important European geographical indications (GIs). As part of its commitments, Singapore will enhance its existing GI regime by setting up a Registry of GIs to receive applications for GI registration as soon as the Agreement has been ratified by the European Parliament. Once the GI Registry is established, GIs pertaining to certain categories of agricultural products and foodstuff that are registered in Singapore will be accorded WTO TRIPS-plus level of IP protection.

Some of these important GIs are Bordeaux wine and Prosciutto di Parma ham from France and Italy respectively. Recognising and providing enhanced protection for GIs will also strengthen Singapore consumers' recognition of authentic top-quality EU food products, wines, spirits and beers.



Remuneration Rights for Producers of Sound Recordings

Under the EUSFTA, Singapore will update our copyright regime to recognise Broadcast Rights and Public Performance Rights for producers of sound recordings. This will allow Singapore to move towards the international norm of allowing music producers to collect royalties when the music they have produced is played publicly or broadcast over the air. We will do so within two years after the EUSFTA's entry into force. This will give greater recognition to music producers. Proper remuneration will also help develop a more vibrant local music scene.

CONTACT POINTS AND ONLINE INFORMATION

The EUSFTA foresees the establishment of a number of specialised committees between the two parties to monitor the implementation of the Agreement.

A Trade Committee, plus three specialised committees, will be responsible for ensuring the proper functioning and implementation of the EUSFTA.

The specialised Committees are:

- (i) Committee on Trade in Goods (also overseeing matters relating to non-tariff barriers);
- (ii) Committee on Sanitary and Phytosanitary measures;
- (iii) Committee on Customs (also overseeing matters relating to ROO), and
- (iv) Committee on Trade in Services, Investment and Government Procurement.

Further information on the EUSFTA will be made available on Singapore's FTA Network (www.fta.gov.sg/) and the European Commission (ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/) website.

RESOURCES

Further information on the EU's Technical Barriers to Trade (BTB)-related Directives can be found on the following websites:

Useful Websites

EU's TBT Database:

<http://ec.europa.eu/enterprise/tbt/>

Summaries of EU Legislation:

http://europa.eu/legislation_summaries/consumers/consumer_safety/index_en.htm

