MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

MINISTRY OF FOREIGN AFFAIRS SINGAPORE

Press Release

GULF COOPERATION COUNCIL-SINGAPORE FREE TRADE AGREEMENT ENTERS INTO FORCE

The Gulf Cooperation Council – Singapore Free Trade Agreement (GSFTA) enters into force today, 1 September 2013.

The agreement will further enhance Singapore's growing economic relations and trade with the Gulf Cooperation Council (GCC), consisting of six countries in the Middle East – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). The GSFTA is a comprehensive free trade agreement covering trade in goods, trade in services, investments, rules of origin, customs procedures, government procurement, electronic commerce and economic cooperation.

Singapore is the first non-Middle East country to have a Free Trade Agreement (FTA) with the GCC. This FTA is Singapore's second with the Middle East, after the Singapore-Jordan FTA in 2004. For the first time, the GCC countries have committed to recognise the Singapore MUIS Halal Standards (SMHS) as similar and consistent to their domestic Halal Standards. Four out of the six GCC countries have already committed to recognise SMHS and another two countries (Bahrain and Saudi Arabia) will start negotiations shortly to do the same. This will open up more opportunities in Singapore's export of Halal products to the GCC states.

Highlighting the significance of the agreement, Mr Lee Yi Shyan, Senior Minister of State for Trade and Industry said, "The GSFTA coming into force will bring the strong bilateral and economic ties between Singapore and the six GCC economies to a new level. Already, there are many Singapore and GCC companies actively pursuing opportunities and partnerships with each other. The GSFTA will further enhance Singapore's role as a Gateway City by connecting the two large regions of Asia and the Middle East & North Africa."

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The GCC is currently Singapore's fifth largest trading partner and accounts for 35% of Singapore's oil imports. Bilateral trade with the GCC reached a record high of S$68.6 billion in 2012, an increase of 62% since 2007. Since 2004, Singapore companies have secured over S$20.8 billion of projects in the GCC states, some of which are mega projects worth more than S$1 billion each. Over the years, there has also been an increase in the number of bilateral forums between Singapore and GCC to facilitate regular visits and exchanges.

Key features of GSFTA

With the GSFTA entry into force on 1 September 2013, approximately 95% of all GCC tariff lines will qualify for tariff-free concessions. An additional 2.7% of tariff lines will qualify for the same tariff-free concessions by 2018. Based on Singapore's latest bilateral trade figures in 2012, S$3.98 billion worth of Singapore goods will qualify for immediate tariff-free treatment, while S$49.1 million worth of Singapore goods will qualify after 2018. Major sectors that will benefit from the elimination of tariffs are telecommunications, electrical and electronic equipment, petrochemicals, jewellery, machinery and iron and steel-related industries. Singapore will grant zero-tariff treatment on all GCC imports with immediate effect.

Other key features of the GSFTA are:

- Services: The GSFTA allows Singapore-based companies, Singapore Nationals and Permanent Residents to hold majority stakes in key sectors of the GCC markets. In particular, Singapore gained enhanced access in UAE, Saudi Arabia and Qatar for construction services, computer and related services, environmental services and professional services, such as legal, architectural, engineering, urban planning.

- Investments: Singapore has Investment Guarantee Agreements (IGAs) in force with five out of six GCC countries, giving stronger protection to investments made in the markets on both sides. Singapore is currently negotiating an IGA with Qatar.

- Cooperation: Both sides have agreed to enhance promotion and cooperation in key sectors like communications technology and air services. There will also be a greater exchange of business visits.

Singapore and the GCC jointly announced the launch of GSFTA negotiations on 25 November 2006 during Singapore Prime Minister Lee Hsien Loong's visit to Saudi Arabia. The first round of the GSFTA negotiations started on 17 January 2007 and was concluded after four rounds of negotiations on 31 January 2008. The agreement was signed in Doha on 15 December 2008 between PM Lee and his GCC counterparts, then-President-in-Office of the GCC Ministerial Council and then-Qatar Prime Minister, Sheikh Hamad bin Jassim Al Thani, and then-GCC Secretary-General, Abdurrahman bin Hamad Al-Attiyah.

IE Singapore and the Singapore Business Federation will be jointly organising two business seminars to share how companies can benefit from the GSFTA. The first will take place on 26 September 2013. For more information on the GSFTA, please refer to the Singapore FTA website at http://www.fta.gov.sg, or email enquiry@iesingapore.gov.sg.

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Annex A

GSFTA FACT SHEET

The Gulf Cooperation Council–Singapore Free Trade Agreement (GSFTA) is a comprehensive agreement covering trade in goods, trade in services, investments, rules of origin, customs procedures, government procurement, electronic commerce and economic cooperation. It has come into force on 1 September 2013.

Singapore is the first non-Middle East country to have a Free Trade Agreement (FTA) with the GCC. This FTA is Singapore's second one with the Middle East, after the Singapore-Jordan FTA in 2004.

This fact sheet provides more details on some of the key features of the GSFTA.

Trade in Goods

The Trade in Goods Chapter provides for comprehensive tariff eliminations that will make Singapore goods more competitive vis-à-vis other foreign imports entering the GCC. With GSFTA's entry into force, approximately 93.9% of all tariff lines will qualify for tariff-free concessions from 1 September 2013, while an additional 2.7% of tariff lines will qualify for the same tariff-free concessions in 2018. This is subject to whether the goods qualify as a Singapore product under the Rules of Origin found within the GSFTA. Based on Singapore's latest bilateral trade figures in 2012, S$3.98 billion worth of Singapore goods qualify for immediate tariff-free treatment, while S$49.1 million will qualify after 2018.

Major sectors that will benefit from tariff eliminations are telecommunications, electrical and electronic equipment, petrochemicals, jewellery, machinery and iron and steel-related industries. Singapore will also grant zero-tariff treatment on all GCC imports with immediate effect.

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Rules of Origin

Rules of Origin determine the 'nationality' of a product. Under the GSFTA, the Rules of Origin ensure that only products substantially transformed in Singapore or the GCC will qualify for the tariff concessions. A product can qualify for preferential treatment if at least 35% of value-add has taken place in the originating country.

Customs

Under the GSFTA, the customs authorities in the GCC and Singapore will:

- Provide an advance ruling on the eligibility of originating goods for preferential tariffs and tariff classification upon the request of the trader. This will provide traders with greater certainty on the status of their goods at the country of import.

- Waive the requirement for a certificate of origin for low-value originating goods, allowing traders to save on time and cost.

- Enhance the application of risk management to focus on high-risk goods and facilitate the clearance of low risk consignments. The Customs Authorities will also enhance transparency in customs controls so that traders will be fully aware of the customs requirements and procedures in the respective countries.

Trade in Services

The Trade in Services Chapter builds on the commitments made by Singapore and the GCC states at the multilateral level, in particular, the World Trade Organisation (WTO) General Agreement on Trade in Services (GATS). This will provide Singapore service suppliers enhanced market opportunities in the GCC.

Singapore and the GCC have committed to liberalise various services sectors beyond its WTO commitments. The sectors for which Singapore citizens, permanent residents, and companies incorporated in Singapore, will enjoy preferential access include professional services like legal services, accounting services and engineering services; and business services like construction services, distribution services and hospital services.

Likewise, citizens and permanent residents of the GCC, as well as companies incorporated there, will enjoy preferential treatment for sectors such as professional services like legal services and integrated engineering services, and business services like advertising and retailing services, and transport services.

For financial services, locally incorporated financial institutions and foreign financial institutions with branches in Singapore are assured of access more favourable than those committed under GATS, for onshore insurance and banking businesses in Bahrain and Qatar. Specifically, the service commitments offer access privileges, such as 100% foreign-ownership of Bahrain-incorporated companies conducting onshore banking or insurance businesses, and cross-border access to the insurance market in Qatar, including life and non-life segments.

Government Procurement

Under the GSFTA, the GCC and Singapore have committed to maintain an open and transparent system of procurement. This will increase the business opportunities open to companies and reduce the costs of doing business for both government and industry. Singapore suppliers will also be given the same price preference of 10%, if this privilege is extended by the GCC to their domestic suppliers for the use of any goods or services that is produced in the GCC states.

Electronic Commerce

The GCC and Singapore have reaffirmed the commitment to promote a liberalised environment for electronic commerce, with non-discriminatory and fair treatment of digital products like software, e-books and e-movies between both markets. Both sides will also work together to promote the use of electronic commerce to benefit small and medium sized enterprises and to avoid imposing custom duties on digital products delivered electronically.

For more information, please refer to the official FTA website at http://www.fta.gov.sg, or email enquiry@iesingapore.gov.sg.

Annex B

ABOUT THE GCC STATES AND MARKETS

The GCC comprises six countries - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). This region has some of the fastest growing economies in the world, mostly due to oil and natural gas revenues, and the corresponding investment boom contributed by petroleum revenues.

Key Indicators (2012)	
Area	2.42 million sq km
Population	45.4 million
GDP (US$)	US$1.54 trillion
GDP per capita (US$)	US$47,286
Real GDP growth	5.3%
Annual GDP growth (2008 – 2012)	5.5%
Forecasted annual GDP growth (2012 – 2016)	4.2%

Active Singapore presence in GCC

This table provides a summary of Singapore’s trade and interest in the GCC markets:

Countries	Trade Volume (S$ million)	Top Imports from Singapore	Top Exports to Singapore	Key Sectors Singapore is interested in	Notable Projects
UAE	25,500 (2012)	Jewellery, Telephone Sets and Precious Metals	Crude Petroleum, Petroleum Products and Gold	Oil, Gas, Processed Metals, Construction, Tourism	The Al-Futtaim Group acquired Robinson & Company in Singapore in 2008. SembCorp Utilities completed a $2.5 billion project in 2013 to build an Integrated Water and Power Plan in Fujairah, UAE.
Saudi Arabia	23,000 (2012)	Oil Drilling Platforms, Machine Parts, Refined Petroleum	Crude Oil, Refined Petroleum Products, Plastics	Urban/Industrial Infrastructure Development, Environmental Engineering, Oil, Gas, Transport, Logistics	SABIC Asia Pacific manages its operations across Asia in Singapore and the company's revenue in Singapore for 2012 is S$5 billion. Transtel Engineering secured five projects worth S$34 million and expected to complete by 2013.
Bahrain	596 (2012)	Aeroplane Parts, Electrical Machinery Parts, Printing Machines Parts, Jewellery	Refined Petroleum Products, Raw Aluminium, Methanol	Property development, Construction, Manufacturing, Airlines	Fraser Serviced Residences opened a S$25 million development, that integrates a mall and 91 apartments in 2010.
Qatar	9800 (2012)	Boring/Sinking Machinery and Bunker Fuel	Petroleum Oils and Mineral Oils	LNG, Crude Oil Production and Refining, Construction	Qatari DIAR purchased a 40% majority stake of Singapore's Raffles Hotel (worth US$275 million) in 2009. Keppel Seghers Engineering (KSE) secured a S$1.5 billion project in 2007 to build the largest wastewater treatment plant in Qatar.
Kuwait	6200 (2012)	Civil Engineering Equipment, Electrical Products	Crude Petroleum, Petroleum Products,	Oil , Petrochemicals, Construction, Shipbuilding and Repair	Agility Logistics, with a staff size of over 600 in Singapore, has an estimated value of US$39 million. PastaMania, estimated value of S$10 million, established five

			Processed Milk Products		franchise outlets in Kuwait City since 2003.
Oman	3400 (2012)	Petroleum and Petroleum Products	Petroleum Products, Civil Engineering Parts, Electrical Machinery	Oil, Construction, Information Technology, Environmental Engineering	Bank Muscat set up a representative office in Singapore in October 2011. ST Marine secured a S$880 million project to build patrol vessels for the Royal Navy of Oman in 2012.

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As a sign of the close ties between Singapore and the GCC, many Singapore agencies have set up offices in the GCC countries. Regular business-to-business forums, such as the Singapore-Oman Business Council, the Singapore-Saudi Business Council, and the Abu Dhabi Singapore Joint Forum, play significant roles in facilitating networking and exchange of ideas between Singapore and the GCC. The Singapore Business Federation and IE Singapore also organise regular business missions to the GCC.

Since 2004, Singapore companies have secured over S$20.8 billion of projects in the GCC states, some of which are mega projects worth more than S$1 billion each. As of 2012, there are more than 160 Singaporean companies operating in the GCC, and 189 GCC companies in Singapore.

There is significant demand amongst the GCC countries for Singapore’s expertise in the infrastructure, oil & gas, IT, and logistics sectors. This has resulted in Singapore companies such as Sembcorp, Keppel and PSA securing sizable projects such as Sembcorp’s Salalah Integrated Water and Power Plant in Oman, the Keppel Seghers’ Wastewater Treatment Plant Qatar, and PSA’s development of a second container terminal in Saudi Arabia’s Dammam Port.

About the GCC states

<u>The United Arab Emirates (UAE)</u>

The UAE is a federation of seven emirates, where each emirate is governed by a hereditary emir, and chooses one of its members to be the president of the federation. The constituent emirates are Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Quwain. The capital is Abu Dhabi, which is also the state's centre of commercial and cultural activities. The UAE is Singapore’s largest trading partner in the GCC and the 12th largest trading partner in the world in 2012.

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The Kingdom of Saudi Arabia

The Saudi Arabian government has been a monarchy since its inception and the country is the birthplace of Islam. Its large oil reserve has facilitated the transformation of an underdeveloped desert kingdom into one of the world's wealthiest nations. Saudi Arabia is Singapore's second largest trading partner in the GCC, and the 13th largest trading partner in the world in 2012.

Kingdom of Bahrain

Bahrain serves as a financial hub for Islamic banking in the Middle Eastern region. The country's capital, Manama, is home to many large financial structures, including the Bahrain World Trade Centre and the Bahrain Financial Harbour. The Qal'at al-Bahrain and the Bahrain pearling trail were declared UNESCO World Heritage Sites in 2005 and 2012, respectively. The Bahrain Formula One Grand Prix, which is the first to be held in the Middle East, takes place at the Bahrain International Circuit. Bahrain is Singapore's 71st largest trading partner in the world in 2012.

State of Qatar

Qatar has been ruled as an absolute and hereditary emirate by the Al Thani family since the mid-19th century. Qatar was noted mainly for pearl hunting and sea trade before the discovery of oil. Notably, present day Qatar has the highest human development index in the Arab World. Its capital, Doha, will play host to the 2022 FIFA World Cup. Qatar is Singapore's third largest trading partner in the Middle East, and the 21st largest trading partner in the world in 2012.

State of Kuwait

Kuwait was under the influence of the Ottoman Empire in the 19th century. After World War I, it emerged as an independent sheikhdom under the protection of the British Empire until 1961. Kuwait is a constitutional monarchy with a parliamentary system of government. Kuwait City serves as the country's political and economic capital. It is often described as the most liberal country in the region. Kuwait is

Singapore's fourth largest trading partner in the Middle East, and our 22st largest trading partner in the world in 2012.

Sultanate of Oman

Oman has a strategically important position at the mouth of the Persian Gulf. It is one of the most developed and stable countries in the Arab world according to international indices. While oil provides a large proportion of its GDP, production levels are considered modest compared to its neighbours and agriculture and fishing are also important sources of foreign income for Oman. Oman is Singapore's 32nd largest trading partner in the world in 2012.