



PECC Trade Forum

Singapore-United States FTA

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Outline of Presentation

1. **Singapore's Bilateral FTAs**
2. **Why is Singapore taking the bilateral route?**
3. **Why US-Singapore FTA?**
4. **Features of USSFTA**
5. **Impacts and Implications of USSFTA**

Singapore's Bilateral FTAs

- **Agreements Concluded**

- **New Zealand-Singapore Economic Partnership (ANZSCEP)**
- **Japan-Singapore Economic Partnership Agreement (JSEPA)**
- **European Free Trade Area-Singapore FTA**
- **Singapore-Australia FTA (SAFTA)**
- **United States-Singapore FTA (USSFTA)**

Agreements under negotiation or study

- **Canada, India, Korea, Mexico**

Why the bilateral route by Singapore ?

- **Singapore' s free trade and investment regime**
- **A multi-track trade strategy**
 - **Multilateralism and WTO**
 - **Regionalism and ASEAN, APEC, ASEAN-China**
 - **Bilateralism**
- **Need for market access and FDI**
 - **Small geographical and economic size**
 - **Very high trade and FDI dependence**
 - **Free trade philosophy and practice**
 - **Impatience with current pace liberalisation**

Why US-Singapore FTA?

- **Sharp differences in economic size**
- **Similarities in economic philosophy**
- **Economic reasons**
 - **US is Singapore's largest export market and FDI source**
 - **US gets preferential access to Singapore services sectors**
 - **Singapore as fore-runner of Enterprise for ASEAN Initiative**

Strategic reason

- **Engage US in Pacific Asia**

Features of USSFTA

- **Implementation in January 2004?**
 - **Negotiations December 2001- January 2003**
 - **Agreement signed on 6 May 2003**
 - **Awaiting Congressional approval**
 - **Negotiating complexities**

Economic complementarity

- **No sensitive sectors**
- **Strong mutual interests**

“high standard” FTA?

- **WTO-plus and AFTA-plus**

Features of USSFTA...

- **Trade in goods**

- Singapore gives 100% preferential zero tariffs
- US gives 92% preferential zero tariffs, remaining over 10-year period
- US waives merchandising processing fee

- **E-commerce**

- - Permanent duty-free status of e-commerce products

Features of USSFTA...

- **Rules of origin**
 - **Product specific rules**
 - **35-60% domestic value added**
 - **Specific chemical reaction**
 - **Yarn forward**
 - **Outward processing**
 - **Integrated Sourcing Initiative**
- **Issue of spaghetti bowl**
 - **Why the need for ROO?**
 - **Complexity and transaction costs**
 - **Flexibility and market access**

Features of USSFTA...

- **Trade in services**
 - National treatment and MFN treatment
 - Negative list approach
- **Financial services**
 - Singapore gives US access to retail banking
- **Professional services**
 - Singapore to ease entry for legal, architectural, engineering and other services
- **Temporary entry of business persons**
 - 90-day entry for Singapore business visitors

Features of USSFTA...

Telecommunications

- **Mutual access to public telecommunications networks**
- **Mutual recognition of conformity assessment**

Investment

- **National treatment and MFN treatment**
- **Grant fair market value for expropriation**

Intellectual Property

- **Provides high level intellectual property rights protection**

Government procurement

- **Commitment to market access for contracts above certain minimum value**
- **Negative list approach**

Features of USSFTA...

- **Competition policy**
 - **Singapore to set up competition regime by 2005**
 - **Not to interfere with commercial decisions of GLCs**
- **Labour**
 - **Both sides commit to enforce their own domestic laws relating to labour**
 - **FTA supported by AFL-CIO and SNTUC**
- **Environment**
 - **Both sides commit to enforce their own domestic laws relating to environment**
 - **Cooperate and consult on environmental issues**

Impacts and Implications

- **Bilateral impacts**
 - - Growth in trade and investment
 - - Impact on GDP and employment
- **Regional impact**
 - - On ASEAN and AFTA
 - - Enterprise ASEAN Initiative (EAI)
 - - On APEC
 - Proliferation of bilateral TIFAs and FTAs
- **Hubs and spokes?**

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