

Singapore's Bilateral Free Trade Agreements: Institutional and Architectural Issues

By

Linda Low

National University of Singapore

1 Introduction

As one of the most active and forward-moving player in bilateral free trade agreement (FTA) involving crossregional pacts, how Singapore appears to be breaking new ground in innovative and creative approaches, constitute a first question in this paper. Crossregional bilateral and regional trade agreements (RTAs) with developed industrial countries embody a ratchet-up effect in terms of benchmarking to international standards and norms which has domestic repercussion and adjustment issues. This may also affect the region as in the Association of Southeast Asian Nations (ASEAN). Singapore as firstmover may have set the template or norm for future RTAs involving the same developed economies as partners for ASEAN and other developing countries, as much as Singapore may have to follow provisions in other prior RTA arrangements.

A second related question is the consistency of provisions of RTAs in coping with the "spaghetti bowl" effect involving different sets of rules of origin (ROOs) with different partners. Indeed, how Singapore's bilateral FTAs are consistent with each other, whether there is any overall strategy on this, whether any consideration is being given to the issues involved, and the extent to which problems may arise in the future if the provisions are not consistent, are further questions. The consistency issue is also relevant to the issue of whether all these RTAs can realistically be expected to converge into a larger arrangement involving East Asia or Asian Pacific Economic Cooperation (APEC) as envisaged by Singapore's prime minister.

To address these questions and issues, Section 2 is a short preamble to the logic and philosophy of Singapore's foreign economic policy revolving around its bilateral FTAs. In reviewing the progress of concluded and ongoing bilateral FTAs, Section 3 provides the principles behind the architecture and design of its FTAs. The concluding section suggests that Singapore is as much on a steep and slippery learning curve as it is driven by the need and imperative of its foreign economic policy. To survive as a small, open city-state in the context of ASEAN, ASEAN Plus Three (APT) and various emerging hybrids of ASEAN and Asian bilateral FTAs, its fast and furious pace of bilateral FTAs has other ramifications. Singapore's bilateral FTAs seem justified and necessary, whether the principle is acceptable or shared by its other ASEAN and Asian partners, is another matter.

2 Singapore's foreign economic policy

Singapore is a highly trade-dependent economy, with the highest trade to gross domestic product (GDP) ratio in the world, probably rivalled only by Hong Kong. Understandably, free trade is its only option which together with its relatively higher level of economic growth and development, makes its foreign economic policy diametrically opposite to that of its ASEAN partners (Low, 2003a and 2003b). While

Singapore is a vocal champion of global free trade, multilateralism and World Trade Organisation (WTO) to safeguard and insure a free and open international trading environment, it is not blind to the global political economy issues and difficulties.

Singapore places the highest priority on the multilateral trading system embodied by WTO as the stable framework for developing sound multilateral rules. It is as active in regional fora such as ASEAN, APEC and has initiated Asia-Europe Meeting (ASEM) and Forum on East Asia-Latin America Economic Cooperation (FEALAC) to balance the politics and economics of crossregional cooperation. Ever the proactive protagonist, it has kept to its character and form as firstmover in its many bilateral FTAs to accelerate the momentum of trade liberalisation and strengthen the multilateral trading system. Its three largest trading partners, namely US, Japan and European Union (EU) are clearly its targets. But it cut its teeth with like-minded, small, open economies like New Zealand, those in European Free Trade Area (EFTA), progressing to Australia and also in pursuit of bilateral FTAs with Chile, Mexico, Canada, Korea, India, but not China. Many of its bilateral FTA partners are extending similar offers to ASEAN countries as a group or bilaterally, as by Closer Economic Relations, (CER, Australia and New Zealand), Japan, US, India and Mercosur.

Singapore has made no apologies with the fast and furious pace and ambition of its bilateral FTAs. It has meant to stir ASEAN lethargy, especially since the Asian crisis, even circumvent mismanagement at the WTO multilateral level which is as painfully slow and bogged down and take Singapore into the new millennium economy. Domestically, its ever restructuring and upgrading efforts attend to both cyclical and structural long term problems. Its latest Economic Review Committee (ERC) set up post September 11 2001 (911) promised no stone unturned, though the political economy of no turn unstoned may be the reality. Singapore is caught between its old developmental state, Singapore Inc model featuring a heavy state hand and government-linked companies (Low, 2001 and 2002) and need to transform to a more resilient private sector-led model as befits the new economy and technology. In truth, it is more akin to Organisation for Economic and Cooperation Development (OECD) economies as its foreign economic policy, trade and macroeconomic policies are diametrically opposite to its ASEAN partners which remain relatively more protectionistic. Singapore's logic and imperative in its bilateral FTAs appear justifiable in its sovereign and legal state, but it has to convince others.

As legally binding arrangements between willing member countries, FTAs enhances trade and investment flows. They provide lower tariffs for exports of goods, hassle-free custom procedures, improved market access for various commercial and professional services, easier entry for businessmen into other countries, better terms for investment in foreign countries, beside other political economy benefits, direct and intangible. Bilateral FTAs with advanced developed economies leverage and ratchet up standards and benchmarks, lock in domestic reforms. They set a framework for Singapore businesses to grow and expand globally, which in turn will generate more employment opportunities for a small city-state's citizenry. Beside big multinational corporations (MNCs) and government-linked companies stepping out, not crowding out local enterprises in Singapore, the small, medium-sized enterprises (SMEs) are more in need of direction and guidance to the extent they want to go regional or global.

In tune with the business community interests and market forces, Singapore adopts a multi-pronged approach in advancing trade interests through the multilateral, regional trade fora and FTA linkages with its key overseas markets. Even traditionally multilateralists like Japan and Hong Kong have swayed toward a multi-track approach, blessed too by WTO, recognising RTAs as complementary and supplementary to the multilateral process. It is more a question of how far and deep RTAs extend and remain WTO-consistent or WTO-plus. The architecture and design of RTAs has to take into account traditional issues like the spaghetti bowl effect and hub-and-spoke. New regionalism must also contend with the contemporary global political economy challenged by information communication technology, new knowledge-based economy and other noneconomic security issues.

3 Progress of bilateral FTAs, architecture and design principles and issues

Examining Singapore's concluded bilateral FTAs offer insights into creative and innovative measures to cope with different partners' interests and may guide ongoing ones to circumvent other problems and issues. Accordingly, we consider the concluded bilateral FTAs with New Zealand, Japan, Australia, EFTA and US and those under negotiation or study with Mexico, Canada and Korea. The bilateral FTA with EU is under review as EU seems to prefer a group-to-group deal as with ASEAN or ASEM. The bilateral FTA with India will be launched in April 2003.

ANZSCEP

The Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP) was the first FTA that Singapore concluded after the ASEAN Free Trade Area (AFTA). FTA negotiations between New Zealand and Singapore were like a tutorial for Singapore, announced in 1999 APEC leaders' summit hosted by New Zealand, completed in August 2000. One lesson Singapore learnt from ANZSCEP was a reexamination of its national policy of restricting the number of doctors and lawyers based on asymmetric information economics rather than conventional competition with market determined demand and supply of such professionals.

As ANZSCEP has emphasis on services, the movement of professionals and natural persons is an important and contentious area. The list of approved foreign universities whose medical and law degrees are recognised by Singapore is very much a product of the British legacy and accepted medical standards and legal system. But Singapore needed a rethink as its regulations and nontariff barriers (NTBs) were causing more problems despite its pristine free trade and practically no tariff status. Import duties on cars, cigarettes, tobacco products and liquor may be defensible, not some regulatory NTBs. New Zealand has committed to liberalise a wide range of sectors for Singapore's service producers to access its markets for services in engineering, financial, information-communication technology, maritime transport and equipment repair. New Zealand has committed to removing residency requirements for the registration of certain professionals. Free trade in services will be phased in over 10 years and phased arrangements will be made for mutual recognition for professional qualifications and technical standards.

JSEPA

Capturing Japan as Singapore's second bilateral FTAs was fortuitous in that late prime minister Obuchi was catalytic in Japan's much belated reforms since its profound and seemingly irrevocable stagnation after its bubble economy collapsed in 1991. Japan was poised to review its singular devotion to multilateralism and WTO and Singapore was a logical first bilateral FTA partner (Urata, 2002 and Ogita, 2002). Before negotiations for the Agreement between Japan and the Republic of Singapore for a New-Age Economic Partnership (JSEPA) were launched in late 2000, JSEPA was innovative in forming Japan Singapore Joint Study Group made up of officials, academics and business leaders from both countries, tasked to study the proposed FTA (Rajan, et al, 2001 and 2002). The joint report served as the basis for the JSEPA negotiation and provided the needed space, time and publicity, especially for Japan and its agricultural interests to resolve and reach a consensus on trade liberalisation. Clearly, as an exporter of only ornamental fish and cut orchids, Singapore's threat is perceived in terms of its ASEAN membership and the feared "backdoor" effect. Conceivably, the concern is mutual for Japan and ASEAN as two-way backdoor flows between them are intermediated by Singapore as FTA partner to both. Malaysia's ire over Singapore's bilateral efforts was further clouded by Singapore as firstmover, possibly setting down the template for future regional and bilateral FTAs, without consultation with ASEAN partners.

Going beyond tariff elimination in goods, JSEPA is an innovative approach to accommodate even Japan's politically sensitive agricultural sector. JSEPA cannot carve the sector out which would not fulfil WTO requirement that all substantial trade must be covered in any RTA before exemption is approved. JSEPA thus simply agreed to keep to what both parties have committed to WTO. A vital focus is in service trade liberalisation, investment and movement of natural persons. The new age elements include cooperation in science and technology, media and broadcasting, high growth areas in financial and telecommunication, electronic-commerce, human resources development and management and promotion of SMEs in both countries. It also contains provisions for dispute settlement and review of the agreement.

One empirical evaluation on JSEPA using a modified version of the dynamic global trade analysis project to capture short and long run impacts found significant favourable results for Japan (Hertel, 2001). In particular, automatic customs procedures would play the most important role driving increases in merchandise trade. JSEPA would boost rates of return, thereby increase direct foreign investment in both economies. Some deterioration in trade balance relative to the baseline over the medium term may arise, but it would improve in the longer run with higher foreign income payments. The estimated global gains from JSEPA in excess of US\$9 billion annually would accrue in bulk to Japan as it undertakes the most reforms to open up. New age components of JSEPA do go beyond traditional tariff cuts. As Japan's first and Singapore's second free trade agreement, JSEPA would institutionalise regulatory and other policy reforms for both to remain attractive to capital and talents.

JSEPA was crafted as a template for the rest of ASEAN and exemplary for Northeast and Southeast Asia regionalism. Prime minister Junichiro Koizumi offered as

much to other ASEAN countries when he signed the agreement in January 2002 in Singapore. Winning the right constituencies, assuring and pacifying potential opposition in both Japan and ASEAN are deemed important lessons for Singapore as its confidence in bilateral FTAs gain momentum and credibility. Besides submitting to the necessary legislative processes in the respective countries, publicity to bring awareness of new opportunities for Singapore companies seeking to venture to the Japanese market or expand their presence in Japan is as crucial. Exporters are caught up with different environments in business, culture, law and no less, ROOs. Seminars and meetings by both Singapore and Japan to bring awareness to ASEAN and other Asian countries were conducted with the same objectives.

ESFTA

EFTA-Singapore FTA initiative was first floated at the EFTA (comprising Switzerland, Iceland, Liechtenstein and Norway) Ministerial Meeting in December 2000. It was the fastest bilateral FTA concluded for Singapore, after one round of exploratory talks in Geneva in March 2001, both sides announced the launch of negotiations in May 2001 followed by three rounds of negotiations in 2001 and negotiations were substantively concluded by end 2001. The EFTA-Singapore FTA was initialed by the parties in April 2002, as recognition of the completion of negotiation and the legal scrubbing process. It was signed in Egilsstadir, Iceland by June 2002 and came into force in January 2003. As with New Zealand and Japan, Singapore realised that it can neither sidestep nor delay a competition policy for across-the-board rather than its current practice of sectoral liberalisation because of time for adjustment and critical policy turns involving its many government-linked companies.

To facilitate trade in services, commitments regarding the movement of business persons set out the terms and conditions under which various categories of people can enter the other country's territories for the purpose of doing business. These categories of people include intra-corporate transferees, business visitors, and people responsible for setting up enterprises in another territory. The benefits for professional services, distribution services, telecommunication services, financial services and transport services and specific services in research and development (R&D) services, courier services, maritime transport services, freight transport services and construction and related services are in line with Singapore's restructuring efforts. Singapore service suppliers may enjoy enhanced market opportunities into the services markets of the EFTA states which agreed not to impose additional barriers to entry for the committed services sectors. All rules on trade in services are based on international WTO standards to keep services markets open for competition and to eliminate discrimination.

Beside the general rules that apply to all service sectors, there are enhanced disciplines governing the provision of telecommunication and financial services. For example, EFTA and Singapore have to ensure that major suppliers of telecommunication services cannot discriminate against other suppliers nor engage in anti-competitive activities such as predatory pricing or price squeezes. The commitments in the EFTA-Singapore FTA distinguish between the various modes through which services can be supplied, for example, through the Internet, or by setting up a company in one of the EFTA states. There are disciplines governing the supply of telecommunication services

which provide for Singapore companies to enjoy enhanced commitments on competition safeguards.

The annex on telecommunication services includes more comprehensive obligations on relevant regulatory authorities to ensure interconnection and transparency of licensing processes. Both Singapore and EFTA will also require major telecommunication suppliers in their markets to provide a Reference Interconnection Offer (RIO). A RIO generally refers to a standard interconnection offer containing a comprehensive statement of prices, terms and conditions on which a telecommunication supplier (usually a major supplier with significant market power) is prepared to provide interconnection related services to other telecommunication suppliers seeking to interconnect their equipment and networks with the former. RIO will provide greater business operating certainty to Singaporean telecommunication suppliers seeking to interconnect with major telecommunication suppliers in EFTA. EFTA-Singapore FTA goes further on to specify that RIOs must include information to suppliers on interconnection services offered, cost-based pricing, operational and technical requirements on foreign operators as well as reasonable timeframes for commencement of interconnection services.

The annex to financial services endeavors to ensure that Singapore and EFTA apply international standards and core principles in the supervision of their banking, insurance and securities industries. Substantial commitments in financial services subsectors have many commitments above existing WTO obligations. Already generally quite liberal in practice, EFTA financial services commitments give assurance EFTA would not impose additional barriers to entry in financial services, retreat from their current regime, or unjustifiably discriminate against Singapore financial services suppliers. This provides certainty and reduces business risk for Singapore financial services suppliers in EFTA markets. Singapore's financial services commitments in EFTA-Singapore FTA are in line with the phased financial services liberalisation measures that Monetary Authority of Singapore (MAS) has undertaken since 1999. Some of these liberalisation measures have been committed in EFTA-Singapore FTA, notably, wholesale banking and securities market measures.

On investment, comprehensive provisions are made for investment promotion and protection to foster an open international environment for crossborder investment, minimise restrictions, strengthen protection of investments and provide access to each other's markets. Comprehensive in terms of scope of coverage and depth of disciplines, various stages of investment, ranging from pre-investment stage to post-investment stage are also covered. Unlike US concern on capital controls, free transfers allow investors to freely repatriate and transfer funds related their investment, such as capital, profits, dividends and royalties into and out of the country.

On intellectual property, enhanced standard of intellectual property rights (IPR) protection beyond that which is required under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). EFTA and Singapore have committed to accede to World Intellectual Property Organisation (WIPO) Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT) by January 2005. WCT and WPPT (commonly called "WIPO Internet treaties") clarify existing ambiguities in the provisions relating to copyright under TRIPs Agreement and also address copyright protection issues raised by the digital revolution by enacting clear and appropriate legal provisions

which are not found in any of the existing international agreements and conventions on copyright.

EFTA and Singapore have committed to adopt a common standard of patent protection, namely the standard set out under European Patent Convention (EPC) which substantially mirrors the substantive provisions of Singapore Patents Act. EFTA and Singapore have committed to give effect to WIPO Joint Declaration on Well-Known Marks (the Joint Declaration) which will ensure that trade mark law with regard to well-known marks in both EFTA and Singapore is uniform and conforms to that in other countries which have also adopted Joint Declaration, such as US and EU.

The enhanced copyright protection brought about by acceding to WCT and WPPT would establish a clear and secure legal framework for e-commerce to flourish between EFTA and Singapore. The adoption of the substantive provisions of EPC as a common reference and uniform standard of patent protection would assure Swiss pharmaceutical giants that Singapore maintains the same standard as they do and would thereby encourage them to set up operations in Singapore, thus advancing Singapore's vision of becoming both a science hub and an intellectual property hub. Apart from patent protection, Swiss pharmaceutical companies are also concerned with trademark protection as their products are usually distinguished by trademarks which are affixed on the products themselves or on their packaging. By giving effect to Joint Declaration on well-known marks, such companies will be further assured that Singapore has a sound and secure legal framework which conforms to international standards to protect their well-known marks from possible infringement.

Products are divided into two categories. Wholly obtained products which mainly refer to commodity products, such as orchids grown in Singapore are automatically accepted as originating in Singapore. Manufactured products made from exclusively Singaporean or EFTA materials or products made from Singaporean, EFTA or imported materials or a combination of any materials from these sources. Most of the products of export interest to Singapore belong to the second category, that is, products are manufactured in Singapore from materials, components or parts. Examples of these products include petroleum refined in Singapore from imported crude oil and electric smoothing irons assembled in Singapore from both imported and locally produced components and parts.

EFTA-Singapore FTA negotiated ROOs to take into consideration current and future production trends in Singapore. Most notably, ROO acknowledges the unique production pattern of Singapore whereby certain stages of the production of goods are outsourced to lower cost centres, that is, parts and components are shuttled to and from Singapore at various stages of production. Each product has at least one specific ROO. For some products, there is more than one specified ROO. With this additional flexibility, many Singapore companies will be able to take advantage of EFTA-Singapore FTA and export products manufactured in Singapore to EFTA under preferential tariff rates.

Essentially, EFTA-Singapore FTA ROOs take into account operational patterns of companies in Singapore, including the shuttling of parts and components to and from Singapore during various stages of production. ROOs are designed to allow greater flexibility in determining the qualification for Singapore origin with either the change in tariff classification (CTC) rule, value added rule, process definition rule or depending on the product in question, a combination of two or more of these rules. For products which

have more than one rule, Singaporean manufacturers can choose the rule which best suit their manufacturing operations. This gives Singapore manufacturers additional flexibility to qualify for preferential tariff treatment under ESFTA.

Products will be considered originating in Singapore if they meet the product-specific rules following CTC. Essentially ROOs require that the products be substantially transformed in Singapore. Such transformation is deemed to have occurred if there is a change in tariff classification (CTC). Harmonised System of Classification categorises products into chapters (2-digit), headings (4-digit) and subheadings (6-digit). CTC rule in ESFTA requires the final product to have a different 4-digit heading from materials used in its production. For example, motor spirit is refined in Singapore from imported crude oil. The final product, motor spirit (HS 2710), has a 4-digit heading different from that of the raw material, crude oil (HS 2709), used. Thus, motor spirit is considered a Singapore product and can qualify for preferential tariff treatment when exported to EFTA.

For some products, a value added rule is provided for in ROOs. Under this rule, products will qualify for preferential tariff treatment if their Singaporean content meets a specified percentage of the ex-works price. Manufacturers that source inputs from overseas can include EFTA or Singapore component of these inputs towards the specified percentage. Depending on the product, the specified local content ranges from 40% to 80% ex-works price.

For some products, a process definition is provided for in ROOs. Under this rule, products which undergo the specified manufacturing process or processes in Singapore will be considered Singapore origin. For example, motor spirit is refined in Singapore from imported crude oil. Under the manufacturing process definition, the process of refining crude oil into motor spirit in Singapore is considered Singapore origin. Thus, motor spirit is considered a Singapore product and can qualify for preferential tariff treatment when exported to EFTA.

A set of documentary requirements covering administrative procedures for the implementation of ROOs have been negotiated, bearing in mind ease of implementation and being trade facilitating. An EFTA importer of a Singapore originating product has to produce a declaration of origin made by the Singapore exporter or manufacturer of the good as proof of the Singapore origin of the product when claiming preferential tariff treatment. This system of certification is a trade facilitative procedure that simplifies documentation procedures and will help Singapore exporters to EFTA. On origin verification, Singapore assists EFTA in verifying whether an exporter has accurately declared a product as Singapore origin.

SAFTA

Negotiation for Singapore-Australia Free Trade Agreement (SAFTA) was launched in November 2000 by prime ministers of both sides, at the fringe of APEC leaders' summit. In November 2002, after 10 formal rounds of negotiations, Singapore and Australia successfully finalised SAFTA, signed in Singapore in February 2003, to come into force in the second half of 2003, after the agreement has undergone the necessary legislative processes in both countries. SAFTA is a comprehensive agreement covering key areas such as trade in goods, trade in services, investment, telecommunication and financial services, movement of business persons, government

procurement, IPR, competition policy, e-commerce and education cooperation. It is a forward-looking agreement which commits both countries to greater trade liberalisation than what they have currently committed at WTO.

Singapore is Australia's first FTA partner after its CER trade agreement with New Zealand in 1983. That CER was approached by Singapore at the start, but Australia chose to participate only later, or CER approaching ASEAN jointly, may have more implications for CER than Singapore. The follow through by Australia is clearly strategic as it sees APEC marginalised by ASEAN Plus Three (APT). APT summit after ASEAN summit in Phnom Penh in 2002 aimed at greater regional economic coordination without explicitly edifying its natural and logical extension to an East Asian Free Trade Area. APT is institutionalised from the East Asian Vision Group (EAVG) launched in 1998 at Kim Dae-jung's initiative which resulted in a 1999 study, but Malaysia's proposal and offer set up APT secretariat was opposed by ASEAN as eroding ASEAN secretariat. EAVG's proposal at the ASEAN summit in Brunei in 2001 for freer markets in the region was similarly one step short of a formal FTA. While there is general consensus for APT FTA led by Korea and Japan in the 2001 summit, there is no agreement on timing and details. Singapore's prime minister has chorused the same for a single ASEAN market, progressing to East-Asian-wide market in his visit to Japan in 2003.

Instead, China made the scoop in 2001 by launching negotiation for ASEAN-China FTA (ASEAN+1). This and APT have immense implications on Australia which may explain its energy in SAPTA as a toe-hold, albeit a small one in the region. ASEAN-China FTA was first proposed by Zhu Rongji in 2000, followed by a study by ASEAN secretariat. It will be completed by 2010 for ASEAN-6 and 2015 for newer ASEAN countries of Cambodia, Lao PDR, Myanmar and Vietnam. Typically, ASEAN as over cautious is as much due to protective national policies as in Indonesia and Malaysia, as due to lack of political commitment and vision in regional, no less global levels. ASEAN probably went along with China as it is most realistic and strategic. To do otherwise would scoff China's offer and not give ASEAN the chance to even out China as an opportunity, not merely a threat.

After six rounds of negotiations between ASEAN and China, the framework agreement has a key liberalisation element in "early harvest", committing ASEAN and China to reduce tariffs for early harvest products. Early harvest products are mainly agricultural products, representing about 10% (more than 600) of all tariff lines in Harmonised System (HS) of tariff classification. The products belong to the categories in live animals, meat and edible meat offal, fish, dairy produce, other animal products, live trees, edible vegetables and edible fruits and nuts. In addition, a small list of additional products from other chapters is included in the early harvest. For these early harvest products, tariffs will be eliminated over three years, beginning no later than January 2004. Tariffs for goods not included under the early harvest will be reduced with negotiations to complete June 2004, liberalisation of services and investment by early 2003.

ASEAN may be less enthusiastic with APT which is as much a misnomer led by the three rather than ASEAN as in other ASEAN postministerial meetings with dialogues partners and ASEAN Regional Forum as ASEAN is disorganised and not quite ready since the Asian crisis. Instead, APT finance ministers at Asian Development Bank (ADB) annual meeting in Chiang Mai in 2000 crafted the beginnings of monetary cooperation as APT bilateral currency swaps led by Japan and China overtook more serious steps toward

APT FTA which has large welfare gains (Table 1). Table 1 also shows Australia stand to gain more being in than kept out of Asian regionalism.

Table 1 Changes in welfare (equivalent variation basis) as % of initial GDP

	North Asia Three	ASEAN+3	APT+ANZCER
Singapore	-0.87	4.12	0.92
Malaysia	-0.70	1.24	1.74
Indonesia	-0.15	0.89	0.71
Australia	-0.05	-0.11	1.05
Japan	0.25	0.34	0.57
China	2.09	1.96	1.94
Korea	0.80	1.18	1.20

Source: Scollay and Gilbert, (2001), p 68.

Bilateral trade between Australia and Singapore totalled about S\$ 9.9 billion in 2002. SAFTA signals Australia's long term commitment to Southeast Asia and it supports ASEAN-CER Closer Economic Partnership (CEP) signed in 2002. Good bilateral relationship of long historical standing has to be maintained and sustained as both Australia and Singapore have to contend with ASEAN difficulties. SAFTA is consistent with the two countries' APEC commitments to broader trade and economic reform objectives and is a positive initiative to advance APEC Bogor goals of free and open trade and investment. SAFTA takes the multilateral liberalisation agenda forward through its commitments on tariff elimination, market access for service suppliers, transparent customs procedures, promotion of fair competition, access to government procurement markets, increased integration of capital markets, easier entry for business visitors, mutual recognition agreements and cooperation in the education sector. Mutual benefits include tariff-free entry for all Singapore exports to Australia, easier access for Australian service suppliers into the Singapore market, and more choices of universities for Singaporeans wishing to study law in Australia. In recent years, defence and security have heightened the relationship to become a strategic partnership with Australia offering generous training facilities to Singapore Armed Forces, beside regular meetings involving foreign affairs, defence and trade ministers.

USSFTA

US is the piece de resistance for Singapore, with US as Singapore's second largest trading partner, Singapore as US' 11th largest trading partner. US is Singapore's largest foreign direct investor, direct foreign investment (DFI) amount to US\$27.3 billion or 2.2% of US investment overseas in 2001. Singapore is the second largest Asian investor in US after Japan. US is one of the most important trading and investment partners for Singapore. There are 1,300 US companies and 15,000 US citizens in Singapore. Many US MNCs use Singapore as a base to export around the world. But complex Washington trade politics and lobbies caution Singapore to engage and build the right socio-political constituencies beyond the economics of free, not necessarily fair trade. It did its homework and worked the ground at all possible levels. As a politically correct and insurance measure, Singapore's National Trades Union Congress signed a joint statement

with America Federation of Labour and Congress of Industrial Organisations (ALF-CIO) to ensure no union opposition. As track record of voting of both Democrat and Republican senators is often used domestically to evaluate their stand and behaviour, Singapore was accorded unprecedented courtesy that their votes will not sway congress support at the final stage of the legislative process.

To its satisfaction, Singapore has been professionally and courteously treated by all US parties. The support by the Clinton administration was well carried over to the Bush administration. US-Singapore FTA is substantively concluded as for US Trade Representative (USTR) has notified congress in January 2003 of the Bush administration's intention to sign it. In accordance with US Trade Promotion Authority, the agreement can be signed 90 days thereafter and is expected to come into force in January 2004.

Singapore as a small, soft power has earned its credibility and reputation in difficult times, post-911 and Bush's anti-terrorism policy. Strategically, Singapore needs US as much as US needs Singapore as an ASEAN member to mediate Islamic influences, to the extent possible. The alliance can be widened to other pro-US Asian, Australasian countries in which Singapore have good working relations. This strengthens the perception that Singapore is more OECD-like beyond economics and industrial structure, to noneconomic, security and strategic interests which subtly drive its bilateral FTAs, as much as trade and economic gains.

Having met and satisfied EFTA standards and demands, Singapore has to be as innovative and creative in dealing with US, particularly after US-Jordan FTA has become a template on labour standards and environment. Whether Singapore's own standards are at par, may be less of an issue than the ire of ASEAN states when US-Singapore FTA becomes a de facto template. While these issues have been adroitly sidestepped and ignored in ASEAN way and AFTA, the light as shone by OECD countries which becomes another matter for Singapore to balance and juggle.

US-Singapore FTA covers trade in goods, ROOs, customs administration, technical barriers to trade, trade remedies, cross border trade in services, financial services, temporary entry, telecommunications, e-commerce, investment, competition, government procurement, intellectual property protection, transparency, general provisions, labour, environment, dispute settlement. Ambitious and comprehensive, USSFTA is a world-class agreement with both sides go way above their WTO commitments. It is beyond North American Free Trade Agreement (NAFTA), NAFTA-plus in a number of areas including the protection of intellectual property, inclusion of e-commerce and information communication technology (ICT) services, advanced ROOs and customs cooperation. In manufacturing, maximum liberalisation for bilateral trade in goods is to help anchor manufacturing activities in Singapore. Many of these benefits accrue to US MNCs, because intra-MNC trade accounts for over 60% of US-Singapore trade.

Singapore's commitment is in zero tariffs for all imports upon entry into force of US-Singapore FTA. It will eliminate tariffs on beer, stout, samsoo and medicated samsoo. US' commitment is to eliminate 92% of current tariffs on exports from Singapore to US, immediately upon entry into force of the US-Singapore FTA. Practically all the rest will be eliminated within eight years. Sectors which will benefit include electronics,

chemicals and petrochemicals, instrumentation equipment, processed foods and mineral products.

Only exports with substantial transformation and value added done in Singapore can be conferred 'Singapore origin' and qualify for preferential tariff. There are a few ways as in ESFTA. Imported inputs used in the manufacture of the final product within Singapore are classified under a different tariff classification from the final product. For some electronic products, certain percentage of value add, typically 35-60%, is done in Singapore. Overhead activities done in Singapore, such as R&D, design, engineering, purchasing, can count towards the value add. For chemicals and petrochemicals, a specified process occurs in Singapore, such as a specific chemical reaction. To claim tariff preferences, a US importer has to declare that the good is of Singapore origin. Customs authorities on both sides will provide advance rulings on originating goods and enhance its transparency in regulation.

Integrated Sourcing Initiative (ISI) applies to non-sensitive, globalised sectors, such as information technology (IT). Under ISI, some IT components are conferred Singapore origin, regardless of where they are made. These components when used in the manufacturing of final products in Singapore, help boost the Singapore content of final products and make them more likely to qualify for preferential tariff. This encourages investors to source these components from neighbouring countries. For textiles and apparels, immediate tariff elimination for products that meet the yarn forward rule of origin. This requires products to be made from US and/or Singapore originating yarn, with limited exceptions. All other assembly processes must be carried out in Singapore. The industry will work with US yarn suppliers, and restructure their manufacturing operations to benefit from the US-Singapore FTA.

A 'tariff preference level' mechanism allows some amount of apparel exports from Singapore to be exempted from the yarn forward rule for eight years. For such exports, tariffs will be phased out over five years. US also commits to introduce more liberal ROOs for textiles in USSFTA once further liberalisation on ROOs is achieved in WTO. Singapore will establish a system to monitor the import, production, export of textiles and apparel goods, so that only eligible goods will be allowed to enjoy FTA benefits. Tariff saving will be substantial and will depend on actual trade volumes as a result of US-Singapore FTA and how companies restructure their operations to meet ROOs. US will immediately waive the merchandise processing fee for all Singapore exports, currently worth US\$30 million. US will immediately eliminate its vessel repair duty for Singapore, currently worth US\$4 million.

On enhanced bilateral customs cooperation, Singapore will implement systems and procedures to ensure that only legitimate goods can claim preferential treatment under US-Singapore FTA. Both sides will actively exchange information and use risk management techniques to enforce against trade in illicit goods.

For services in general, service suppliers from both sides assured of fair and non-discriminatory treatment and market access unless specifically exempted in writing, the 'negative list' approach. US will give a Singapore service supplier the same treatment that it gives to a supplier of any of its states. Regulatory authorities are bound to high standards of openness and transparency including consultations with interested parties, advance notice, reasonable comment period, and publication of regulations. Mechanism to lock in future liberalisation as of exempted measures, including exempted measures of

US states, is provided. US-Singapore FTA extends benefits to all Singapore companies that are not shell companies regardless of ownership.

For professional services, Singapore will ease conditions on US firms creating joint law ventures to practise Singapore law, recognise degrees earned from four US law schools for admission to Singapore bar, reduce board of director requirements for architectural and engineering firms, phase out capital ownership requirements for land surveying services. Both sides will engage consultations to develop mutually acceptable standards and criteria for licensing and certification of professional service providers, especially with regard to architects and engineers.

For financial services, a host of concessions have been given. Singapore will give US banks better access to Singapore's retail banking sector, remove quota on qualifying full bank (QFB) and wholesale bank licenses for US banks, 1.5 year and 3 years, respectively, after the entry into force of US-Singapore FTA, remove restrictions on customer service locations for US QFBs two years after the entry into force of US-Singapore FTA, allow Singapore incorporated US QFBs to negotiate with local banks for access to their automated-teller machine (ATM) networks on commercial terms, 2.5 years after the entry into force of US-Singapore FTA.

For telecommunication and e-commerce, service suppliers from both sides will have access to respective public telecommunication networks, including submarine cable landing stations, with transparent and effective enforcement by telecommunication regulators. Robust competition safeguards to protect against discriminatory and anti-competitive behaviour by incumbent suppliers in areas such interconnection, colocation, access to rights of way and resale. Both sides will work towards the implementation of a comprehensive arrangement for mutual recognition of conformity assessment for telecommunication equipment. Both sides commit to the non-discriminatory treatment of digital products and the permanent duty-free status of products delivered electronically. This is the first time such commitments have been enshrined in an international trade agreement.

Temporary entry of business persons is expedited by creating separate categories of entry for citizens of each party to conduct a wide variety of business and investment activities on a temporary basis. Singapore citizens who are business visitors can enter US to conduct business activities for up to 90 days without need for labour market test, subject to usual immigration and security measures.

On government procurement, both sides committed to allowing market access by service suppliers of the other party unless specifically reserved, that is, 'negative list' approach. Commitment applies to all procurement contracts for goods and services worth more than US\$56,190 and for construction procurement contracts worth more than US\$6,481,000.

On investment, both sides will commit to grant fair market value for expropriation. Both sides undertake not to impose any unfair performance requirements such as requiring the investor to export a given level of goods and services, as a condition for the investment. US-Singapore FTA provides for an investor-to-state dispute mechanism. Investors aggrieved by government actions that are in breach of obligations have the right to take the dispute directly to an international arbitration tribunal for resolution. Further, Singapore investors who enter into investment agreements with the federal government

after the entry into force of US-Singapore FTA, can take the dispute directly to international arbitration for resolution.

Strong commitment is incorporated to enhance intellectual property protection standards on a nondiscriminatory basis. Changes will strengthen Singapore's thrust towards a knowledge-based economy and its increased emphasis on developing R&D capabilities in biomedical sciences and info-communication.

On copyright, both sides agreed to align their terms of protection for copyrighted works, performances and phonograms. Both sides will also adopt additional protection standards relevant and applicable in the digital environment. Specifically, both sides will provide strong anti-circumvention provisions prohibiting tampering with technology designed to prevent piracy of copyrighted works over the Internet. Both sides agree to criminalise unauthorised reception and redistribution of satellite signals. Both sides will provide immunity to Internet service providers for complying with notification and take-down procedures when material suspected to be infringing are hosted on their servers.

On patents, both sides will strengthen their regimes to protect bio-inventions. Specifically, Singapore will accede to the International Convention for the Protection of New Varieties of Plants (UPOV) to better protect new plant varieties. Both sides commit to its current regime on allowing all inventions, including bio-inventions to be patentable, so long as they do not contradict public order or morality. Both sides agree to limit the use of compulsory licenses to safeguard against anti-competitive practices, public-non commercial use, national emergencies and other circumstances of extreme urgency. Singapore has, to date, not issued any compulsory licenses. Both sides will also introduce safeguards to strengthen patent protection, especially for pharmaceuticals. In particular, both sides will grant originators a data exclusivity period of up to five years from the date of marketing approval, instead of the date of application, extend patent protection period if there is an administrative delay during the marketing approval process.

For trademarks, all trademarks including sound trademarks will also be registrable in Singapore. Both sides will accord stronger protection for well-known marks. Trademark licensees no longer need to register their trademark licenses in order to assert their rights in a trademark. The stronger protection rights will be complemented by robust enforcement obligations. Both sides will continue to undertake stringent enforcement against piracy, in close consultation and collaboration with the industry. Both sides agree to provide an additional avenue for right owners to opt for compensation based on a pre-determined range of statutory damages for civil proceedings against copyright and trademark infringements, prevent and enforce against the illegal manufacture, import and export of pirated goods. In this connection, Singapore will formalise its regime of regulating optical disc manufacturing activities through the imprint of Source Identification Code on optical discs unless specifically exempted by the right owner, criminalise companies that make pirated copies from legitimately purchased products.

On competition policy, Singapore commits to its earlier announced intention to set up a general competition regime by 2005. Singapore commits to maintain its existing policy of not interfering with the commercial decisions of government-linked companies, ensuring that these are commercially run and do not discriminate against US companies.

On labour and environment, both sides are committed to enforce their own domestic laws relating to labour and environment, consult and cooperate closely on

environmental and labour issues of mutual concern and interest. This de facto status quo commitment may be as silently creative as the way JSEPA committed both parties to only WTO agricultural commitments and levels, that is, doing nothing rather than allow these intractable issues blockade the whole deal.

On dispute settlement and general provisions, the dispute settlement system focuses more on cooperation rather than on traditional trade sanctions by allowing a party to pay a monetary assessment into a common fund. The common fund will be used to facilitate trade between the Parties.

MSFTA

Negotiations for Mexico-Singapore FTA started in July 2000. Mexico is as "promiscuous" if not more than Singapore in FTAs. Singapore's initial response to Mexico must be in the context of a "backdoor" to US with Mexico in NAFTA. Mexico-Singapore FTA also suits south-south trade and it is in Singapore's strategy to balance its bilateral FTAs with some like-minded developing economies. Six rounds of trade talks have taken place to date along with a series of road shows in Mexico to drum up support among the Mexican business community. MSFTA will be comprehensive and shall cover trade in goods, trade in services, investment, government procurement, intellectual property, a dispute settlement mechanism and any other topic that Mexico and Singapore may wish to include in future.

Negotiations have covered agreed texts covering topics like subsidies and countervailing measures, technical barriers to trade, sanitary and phytosanitary measures and dispute settlement mechanism. Ongoing work is on remaining topics to find suitable compromises to accommodate concerns such as sensitivity of trade in goods, exploring a compromise between NAFTA or the General Agreement on Trade in Services (GATS) approach to be used as the framework. Mexico and Singapore as WTO members would follow GATS framework incorporating a suitably modified standstill provision which would be consistent with the need for substantial sectoral coverage.

CSFTA

Bilateral negotiation for Canada-Singapore FTA launched in October 2001 has completed four rounds by January 2003 in Ottawa. The two sides conducted an exchange of offers for the first time on a comprehensive range of issues such as trade in goods, trade in services, financial services, investment and government procurement prior to this negotiation round. The fourth round focused on the clarification of the offers made by both sides with a fifth round tentatively scheduled in Singapore.

JSG

Like JSEPA, an agreement to establish a joint study group for Korea-Singapore FTA in November 2002 kicked off with the first meeting in March 2003 to define the scope and other details. Likewise, JSG is composed of government officials and members from business sector and academia with flexible and variable composition designed for greater efficiency and effectiveness, depending on the agenda of meetings every two

months. JSG will complete its task within six months and its recommendations to the respective governments will form the basis for negotiation. The first JSG has discussed effects, feasibility and scope of Korea-Singapore FTA. Beside direct benefits for the two economies in enhanced trade and investment, Korea-Singapore FTA will play a constructive role for economic integration of the region as Korean initiatives in EAVG and APT have demonstrated.

General principles in architecture and design

From the foregoing, the general principles in architecture and design of bilateral FTAs are discerned and summarised as follows. Only goods originating from parties of a FTA can benefit. To ensure this, ROOs are put in place to determine the nationality of a good. To qualify as originating, the product must either be wholly obtained, or for manufactured products, have undergone "substantial transformation".

The main principle behind the concept of ROO for manufactured products is that the country of origin is the last country where a substantial transformation took place. Three main criteria of "substantial transformation" are change in tariff classification (CTC), value added rule (VA), that is, local content rule and process rule

Each rule could be applied in isolation, in the alternative or in tandem. They could be applied as a general rule to all products, appearing in the main text of the FTA as in ANZSCEP or as product specific rules reflected in an annex which lists all products covered under the FTA and their corresponding ROO as in US-Singapore FTA.

Substantial transformation as in change in tariff classification (CTC) rule may be exemplified as production from materials other than from those of heading beer under 2203. The focus would be on the transformation of the imported or nonoriginating inputs into the finished product. A substantial transformation is deemed to have occurred if there is a change in tariff classification. For beer (2203):

Water + Malt (imported) + Other inputs (imported) --> Beer
 11 + 25, 32 --> 2203

(11, 24, 32, 2203 represent tariff classifications under Harmonised System Nomenclature)

As can be seen from the above example, the imported or nonoriginating inputs undergo the requisite CTC rule. The final product (beer) is therefore deemed substantially transformed in Singapore and is a Singaporean good.

The Harmonised System of Classification categorises products into Chapters (2-digit), headings, (4 -digit) and subheadings (6-digit). A chapter change would require a change at the 2-digit level, a heading change, at the 4-digit level, and a subheading change, at the 6-digit level.

Under value added (VA) rule is in the example of value of the nonoriginating material of the good does not exceed 40%. Conversely, this would mean that the local value content must be at least 60%. The focus is on the total local value that makes up the final value of the finished product. For instance, for sparkling beverages made in part, from malt:

Sugar + Beer + Juice (imported) + Manpower cost + profit --> Sparkling beverage
 \$1 \$2 \$3 \$3 \$1 \$10

Since the local value content is 70%, it is greater than the minimum threshold of 60%.

Therefore, sparkling beverage meets the VA rule and qualifies as a Singaporean product.

By process rule, for example, any good that is a product of a chemical reaction shall be considered to be an originating good if the chemical reaction occurred in the territory of the parties. This rule is occasionally applied to chemicals and petrochemical products. The product has to undergo a specific production process in Singapore. Hydration, dissolution, crystallisation and other simple chemical processes are generally not origin-conferring.

Variations from conventional ROOs with last country where a substantial transformation took place can occur in two ways, namely, outward processing (OP) and integrated sourcing initiative (ISI). The first variation is the recognition of outward processing (OP) as a unique production pattern for Singapore. It acknowledges that part of the manufacturing process (usually the lower value added or labour-intensive activities) may be outsourced to neighbouring areas.

Stage 1 Stage 2 Stage 3
Singapore ---> Foreign Country ---> Singapore ---> Exported

Conventional ROO --> Stage 3 = Local Content

Recognition of OP --> Stage 1 + Stage 3 = Local Content

Thus, conventional ROO does not allow the activities in Singapore prior to outward processing to be counted towards the local content. However, under the OP concept, such activities can be counted towards the local content. It must be noted, however, that only products with a VA rule can recognise OP. Recognition of OP will lead to the recognition of the various stages of the manufacturing chain as a Singapore group. It encourages higher value activities to be retained in Singapore, while outsourcing labour-intensive and low value processes. As an indication of how important this concept is, it is entrenched in every single concluded Singapore FTA.

The second variation is Integrated Sourcing Initiative (ISI) as in US-Singapore FTA where ISI applies to non-sensitive, globalised sectors, such as IT. Under the scheme, certain IT components and medical devices are not subject to rules of origin, when shipped from either of the parties to the FTA. The scheme reflects the economic reality of global distributed production, and will encourage US MNCs to take advantage of each ASEAN country's relative comparative advantage

For ROOs in Singapore's concluded FTAs, products are divided into two categories as wholly obtained products and wholly obtained products mainly refer to commodity products, such as orchids grown in Singapore. Such products are automatically accepted as originating in Singapore.

For manufactured products, products made from exclusively Singaporean or the respective FTA partner's materials, or products made from Singaporean, the respective FTA partner's or imported materials or a combination of any materials from these sources. Most of the products of export interest to Singapore belong to this category, i.e. the products are manufactured in Singapore from materials, components or parts. Examples of these products are petroleum refined in Singapore from imported crude oil, and electric smoothing irons assembled in Singapore from both imported/non – originating and locally produced components and parts. These products will be considered originating in Singapore if they meet the following product-specific rules in the respective agreements.

In ANZSCEP, a general value added rule is applicable to all products. A product will qualify for preferential treatment if at least 40% of the exfactory or works cost is of New Zealand or Singapore origin, and if the last place of manufacture is in New Zealand or Singapore. Manufacturers that source inputs from overseas can include the New Zealand or Singapore component of these inputs towards the 40%. The concept of outward processing is recognised in this agreement.

For JSEPA, each product has at least one corresponding specific ROO. Under JSEPA, a substantial transformation is deemed to have occurred if the CTC rule is met. The final product must have undergone a change in tariff heading (CTH; a different 4-digit heading) from the materials used in its production. Singapore obtained additional flexibility for 264 products of interest to Singapore, with the provision of two alternative specific rules. Each of these 264 products will qualify for preferential tariff treatment if it has undergone the requisite change in tariff heading, or its Singapore content is at least 60% of the selling (free-on-board, fob) price. Manufacturers that source inputs from overseas can include the Japan or Singapore component of these inputs towards the 60%. The concept of OP is recognised in this agreement.

Under EFTA-Singapore Free Trade Agreement, each product has at least one corresponding specific ROO. Like the JSEPA, a substantial transformation is deemed to have occurred under the ESFTA if the final product underwent a change in tariff heading (CTH, a different 4-digit heading) from the materials used in its production. For some products, a value added rule is provided for in the ROO. Under this rule, products will qualify for preferential tariff treatment if their Singaporean content meets a specified percentage of the ex-works price. Manufacturers that source inputs from overseas can include EFTA or Singapore component of these inputs towards the specified percentage. Depending on the product, the specified local content ranges from 40% to 80% ex-works price. For some chemicals/petrochemical products, a process definition is provided for in the ROO. Under this rule, products which undergo the specified manufacturing process or processes in Singapore will be considered Singapore origin. The concept of OP is recognised in this agreement.

Under Singapore-Australia FTA, all products need only fulfil a general rule of a specified threshold of local value content of either 30% or 50%. Generally, the ROO requires that the Singaporean content is at least 50% of the cost price. For selected products of importance to Singapore, listed in an annex to SAFTA, the threshold of content is lower, at 30% of the cost price. Singapore manufacturers that source inputs from overseas can include the Australian component of these inputs as part of the Singapore content. The concept of outward processing is recognised in this agreement as well.

Under US-Singapore FTA, each product has at least one corresponding specific ROO. The ROO for certain products require that imported inputs used in the manufacture of the final product within Singapore are classified under a different tariff classification from the final product. For some electronic products, a value added rule of 30 – 60% must be satisfied. For certain chemicals / petrochemical products, a specified process must occur in Singapore, such as a specific chemical reaction. The concepts of OP and ISI are recognised in this agreement.

We raised two questions at the outset, how innovative and creative are Singapore's bilateral FTAs and how they have been consistent and coping with the "spaghetti bowl" effect involving different sets of ROOs. Singapore is unique in terms of its heavy reliance on DFI, MNCs involving many kinds and levels of outsourcing, crossborder transactions in both manufacturing and entrepot functions. So great is the imperative and logic of free trade, that it has endeavored to adopt a flexible approach to its overall strategy on bilateral FTAs with variations to satisfy different FTA partners.

The main principle behind ROO for manufactured products is that the country of origin is the last country where a substantial transformation took place under three criteria: change in tariff classification (CTC), value added rule (VA), that is, local content rule and process rule. Each rule can be applied separately, as alternative or in tandem. They could be applied as a general rule to all products, appearing in the main text of the FTA as in ANZSCEP or as product specific rules reflected in an annex which lists all products covered under the FTA and their corresponding ROO as in US-Singapore FTA. ROOs take into account operational patterns of companies in Singapore, including the shuttling of parts and components to and from Singapore during various stages of production. ROOs are designed to allow greater flexibility in determining the qualification for Singapore origin. For products which have more than one rule, Singaporean manufacturers can choose the rule which best suit their manufacturing operations. This gives Singapore manufacturers additional flexibility to qualify for preferential tariff treatment as under the ESFTA.

Variations from conventional ROOs with last country where a substantial transformation took place can occur in two ways, namely, outward processing (OP) and integrated sourcing initiative (ISI). The first variation is the recognition of outward processing (OP) as a unique production pattern for Singapore. It acknowledges that part of the manufacturing process (usually the lower value added or labour-intensive activities) may be outsourced to neighbouring areas. For ROOs in Singapore's concluded FTAs, products are divided into two categories as wholly obtained products and wholly obtained products mainly refer to commodity products, such as orchids grown in Singapore. Such products are automatically accepted as originating in Singapore.

Admittedly complex and varied rather than a one-size ROO design for all its bilateral FTAs, Singapore has to be thus creative, innovation and flexible because of the nature and structure of its economic activities. Its domestic interests have to be balanced with regional and multilateral protocols as well as satisfy individual FTA partners. It has concluded FTAs with its two largest trade partners, Japan and US, and to a certain extent with EFTA though that with EU is hung as EU seems to prefer a group-to-group pact. The FTAs with developed industrial OECD economies have set down the general principles. In particular, given US competitive liberalisation policy with respect to its FTAs, some force pacing by using other concluded FTAs as template, is unavoidable and inevitable. If this justifies Singapore in being the first mover in FTAs which may set the scene for other Asian countries and even Asian regionalism, that is the nature of competitive global political economy.

Whether Singapore's creative, innovative and flexible approaches can be helpful to ASEAN and Asian countries in their bilateral FTAs or RTAs, including APT and various FTAs involving ASEAN will depend on how like-minded politicians and

bureaucrats see Singapore as exemplary. It would be to its advantage if its approaches and modalities are adopted by others, but it can neither force or over influence on such matters. As a small, soft power, Singapore goes by its reputation and credibility in maintaining performance and outcome. Its international profile may be of a higher standing as it is treated as fairly, and respectfully, not necessarily equally, by big powers including US, than its voice as "small brother" in ASEAN. A simple ambition is to be proactive in its bilateral FTAs which are as consist as possible to inspire some convergence into a larger East Asian or APEC-wide arrangement sharing similar principles and precepts which are flexible and facilitating to all MNCs and foreign investors in the region.

The spaghetti bowl effect as in ROO variations among various FTA partners is a tradeoff for flexibility and adjusting to different demands. In any case, different regimes in terms of regulatory, legal and other standards are realistically as prevalent and difficult, a reflection of no public policy can be perfect in not injecting side effects. Similarly, a hub-and-spoke effect may be the outcome if more and more bilateral FTAs revolving around US, EU and Japan as hubs follow in the wake of Singapore setting the example and pace. More relevant is to what extent and how far a small, open city-state is really affected by global and technology trends beyond its control. Its only response is to live with the rest of the world as a price-taker and leave it to bigger and more influential economies to set global standards in fair and ethical ways, however defined.

Beside creative and innovative design, Singapore has learnt many lessons in its bilateral FTA negotiation with different partners, economic as well as political economy problems and issues. At the domestic level, further trade and investment liberalisation entails a serious rethink of its developmental state and industrial policy which revolves around Singapore Inc and its government-linked companies. If Singapore Inc was already devolving through announced privatisation, whether real or apparent, the lock in effect on such domestic reform and making its government-linked companies more competitive is intensified and accelerated. Moreover, even sacrosanct national regulatory policies in import duties and NTBs to control the importation of cars, tobacco and liquor products as well the control in supply of doctors and lawyers have to be reviewed as demanded FTA partners. If not total submission, some concessions and inventive compromises have been made regarding doctors, lawyers, other professionals and foreign talents from US, EFTA, Australia, New Zealand and Japan in the first instance.

With so many FTAs going on simultaneously, manpower, expertise and time resources were stretched and the right personalities, including ambassadors to lead the negotiating or study teams in Japan, US and Korea, are important considerations for successful FTAs. The teams and experts are challenged not only in their economic, trade and technical expertise, but also their negotiating skills and understanding the political economy of different groups and constituencies they have to win over, including nongovernmental organisations (NGOs) and civil society. Such environment and culture may not be familiar to a more topdown Singapore system, but winning constituencies, media and publicity at home and abroad, especially ASEAN members constitute a soft skill learnt in bilateral FTAs.

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Singapore's Bilateral Free Trade Agreements: Institutional and Architectural Issues

Linda Low
National University of Singapore
bizlowl@nus.edu.sg

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