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Asean-Korea FTA makes a difference for SMC

It sees benefits as much of its inputs come from region

By CHUANG PECK MING

SMC-Food 21 started shipping its products to South Korea 'a long time ago', according to the company's general manager Shinji Niwa.

But business there for the Singapore-based blending specialist (from consumer to industrial packs) has stayed rather flat. Even after the Korea-Singapore Free Trade Agreement (FTA) came into force last year, opening up more of the Korean market and lowering tariffs for Singapore exports, it did not do much for SMC's sales there.

Business only picked up in June this year, after the Trade in Goods chapter of the Asean-Korea FTA came into play.

'The Asean-Korea FTA made a difference,' says Mr Niwa. 'After the Asean-Korea FTA, we have expanded business opportunity further.'

A SMC official explains that the Korea-Singapore FTA has not been as 'business-friendly' to the company as expected. Much of the Korean market remained closed to SMC and tariffs largely stayed high.

Apparently, the Rules of Origins under the Korea-Singapore FTA are more restrictive for SMC, disqualifying or minimising the tariff concessions for its products because a big chunk of their inputs come from outside Singapore, mostly from other Asean countries.

But under the Asean-Korea FTA, the Rules of Origins cover the other Asean countries as well (excluding Thailand), and are thus more 'business-friendly' to SMC and offer it deeper market penetration in the Korean market, and tariff cuts.

So for 2007, according to Mr Niwa, SMC's output - produced in factories in Singapore, Malaysia and Thailand - is projected to jump to 74,000 metric tonnes, up from 25,000 tonnes in 1999. Sales for this year are estimated to hit \$100 million.

'Product output has been increasing, especially high-value products, to Japan and South Korea,' Mr Niwa says.

Shipments to Japan and South Korea are projected to increase from 2,400 metric tonnes in 1999 to 52,000 metric tonnes this year.

SMC, which also ships its products to South-east Asian markets like the Philippines and Indonesia, sees the Asean FTAs providing the company more opportunities to expand its business, according to Mr Niwa.