

Info Kit

Information Paper on the US-Singapore Free Trade Agreement (USSFTA), 16 May 2003

Overview

On 19 Nov 2002, USTR Robert Zoellick and Minister for Trade and Industry George Yeo jointly announced the substantive conclusion of the USSFTA in Singapore.

The US is one of the most important trading and investment partners for Singapore.

- 1,300 US companies and 15,000 US citizens are in Singapore. Many US MNCs use Singapore as a base to export around the world.
- The US is Singapore's second largest trading partner. Singapore is the US' 11th largest trading partner.
- The US is Singapore's largest foreign direct investor. In terms of Foreign Direct Investment (FDI), US\$27.3 billion or 2.2% of US investment overseas, as at end 2001. Singapore is the second largest Asian investor in the US after Japan.

USSFTA - Key Elements

The USSFTA covers trade in goods, rules of origin, 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.

Key elements are:

Manufacturing

Maximum liberalisation for bilateral trade-in goods 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 commitment - zero tariffs for all imports upon entry into force of the USSFTA. Eliminate tariffs on beer, stout, samsou and medicated samsou.

US commitment - eliminate 92% of current tariffs on exports from Singapore to the US, immediately upon entry into force of the USSFTA. Practically all the rest will be eliminated within 8 years.

Sectors that will benefit - electronics, chemicals and petrochemicals, instrumentation equipment, processed foods and mineral products.

Only exports with substantial transformation and value add done in Singapore can be conferred 'Singapore origin' and qualify for preferential tariff. There are a few ways:

- 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.

The Integrated Sourcing Initiative (ISI), applies to non-sensitive, globalised sectors, such as IT. Over 100 hi-tech goods, which already enter into the US duty-free, when exported from Singapore to the US, can be given preferential treatment, such as less administrative hassle.

For textiles and apparels, immediate tariff elimination for products that meet the yarn forward rule of origin. This require the products to be made from the 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 USSFTA.

A 'Tariff Preference Level' mechanism allows some amount of apparel exports from Singapore to be exempted from the yarn forward rule for 8 years. For such exports, tariffs will be phased out over 5 years.

The US also commits to introduce more liberal rules of origin for textiles in USSFTA once further liberalisation on rules of origin 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 the FTA benefits.

Tariff savings will be substantial, and will depend on actual trade volumes as a result of the FTA and how companies restructure their operations to meet rules of origin.

The US will immediately waive the Merchandise Processing Fee for all Singapore exports, currently worth US\$30mn.

The US will immediately eliminate its Vessel Repair Duty for Singapore, currently worth US\$4mn.

Customs co-operation

Enhanced bilateral customs co-operation. Singapore will implement systems and procedures to ensure that only legitimate goods can claim preferential treatment under the USSFTA. Both sides will actively exchange information and use risk management techniques to enforce against trade in illicit goods.

Services in general

Service suppliers from both sides assured of fair and non-discriminatory treatment and market access unless specifically exempted in writing - the so-called 'negative list' approach.

US States are to give a Singapore service supplier the same treatment that it gives to a supplier of that State or of another US State.

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 liberalization of an exempted measures, including exempted measures of US States.

Extends benefits of the FTA to all Singapore companies that are not shell companies, regardless of ownership.

Professional services

For professional services, Singapore will :

- ease conditions on US firms creating joint law ventures to practice Singapore law;
- recognise degrees earned from 4 US law schools for admission to the 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 in consultations to develop mutually acceptable standards and criteria for licensing and certification of professional service providers, especially with regard to architects and engineers.

Financial services

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 after the entry into force of the USSFTA;
- remove restrictions on customer service locations for QFBs 2 years after the entry into force of the USSFTA;
- allow Singapore incorporated US QFBs to negotiate with local banks for access into their ATM networks on commercial terms 2.5 years after the entry into force of the USSFTA.

Telecommunications and ecommerce

Service suppliers from both sides will have access to respective public telecommunications networks, including submarine cable

landing stations, with transparent and effective enforcement by the telecommunications regulators.

Robust competition safeguards to protect against discriminatory and anti-competitive behaviour by incumbent suppliers in areas such as interconnection, co-location, access to rights of way and resale.

Both sides will work towards the implementation of a comprehensive arrangement for the mutual recognition of conformity assessment for telecommunications equipment.

Both sides commit to the non-discriminatory treatment of digital products and the permanent duty-free status of products delivered electronically. First time such commitments have been enshrined in an international trade agreement.

Temporary entry of business persons

Creates 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 the need for labour market test, subject to usual immigration and security measures.

Government Procurement

Both sides committed to allowing market access by service suppliers of the other Party unless specifically reserved, i.e. '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.

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.

USFTA provides for an investor-to-state dispute mechanism. Investors aggrieved by government actions that are in breach of obligations under this Chapter 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 the USFTA, can take the dispute directly to international arbitration for resolution.

Intellectual Property

Incorporates strong commitments to enhance intellectual property protection standards on a non-discriminatory basis.

Changes will strengthen Singapore's thrust towards a knowledge-based economy and its increased emphasis on developing research and development capabilities in biomedical sciences and info-communications.

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 re-distribution 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 bioinventions 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 anticompetitive 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 5 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 predetermined 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.

Competition

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 (GLCs), ensuring that GLCs are commercially run, and do not discriminate against US companies.

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.

Dispute Settlement and General Provisions

Dispute settlement system that focuses more on co-operation 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.