U.S.-Singapore Free Trade Agreement

The First U.S. FTA in Asia

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"It was a dark and stormy night" is not only the slogan for an annual contest celebrating bad writing. It also aptly describes the surroundings when the leaders of Singapore and the United States agreed to negotiate a bilateral free trade agreement (FTA). In the very early hours of November 16, 2000, they were playing golf on a well-lighted course in Brunei. Thunderstorms rumbled in the distance, and at some point during the round the two agreed that their nations should negotiate an FTA. Almost exactly two years later, negotiating teams in Singapore announced the near-completion of the agreement.

SINGAPORE AS A TRADING PARTNER

Singapore was the United States' 11th-largest trading partner in 2001, purchasing U.S. goods and services almost equal to that of China, three times more than India, and more than many European countries, including Italy and Spain. Singaporeans enjoy a high standard of living, which gives them purchasing power to buy U.S. goods and services. Singapore is also a business friendly and highly competitive environment. The World Economic Forum (an independent, international organization based in Switzerland) publishes an annual *Global Competitiveness Report*. Part of this report is an index that ranks a country's competitiveness in three broad categories: technology, public institutions, and macroeconomic environment. This year, Singapore ranked fourth in the world, as it did last year. In comparison, the United States ranked first this year, up from second place last year.

KEY PROVISIONS OF THE FTA

Services

Services were a priority for U.S. negotiators, as the vast majority of goods already enter Singapore duty-free. With a few exceptions, Singapore will improve market access to U.S. providers of professional services. Singapore will treat U.S. service providers in a broad range of sectors the same as it does its own providers. U.S. companies will find opportunities in a number of areas, such as legal, architectural, engineering, and surveying services. Express delivery services are differentiated from Singapore's postal monopoly, and these services will experience increased competition. The agreement also includes wording on regulatory transparency and expedited authorization procedures.

Similarly, in financial services, Singapore will now treat U.S. firms the same as local firms for the cross-border supply of financial information, advisory, and data-processing services. The current ban on new licenses for full-service banks will be lifted within 18 months, and within three years for wholesale banks. Singapore will provide U.S. banks access to the local ATM network within two and a half years, if they are locally incorporated, and within four years for all other banks. Qualified banks also can open 30 (up from 15) branches and service locations. Singapore will allow U.S. firms to provide asset and portfolio management and securities services in the country through the establishment of local offices, or through acquisition of local firms. U.S. firms may supply pension services under Singapore's privatized social security system, with more liberal requirements regarding the number of portfolio managers who must be located in Singapore.

ENTERPRISE FOR ASEAN INITIATIVE (EAI)

Last October, President Bush announced a new trade initiative with the Association of Southeast Asian Nations (ASEAN). This initiative was developed in response to discussions with ASEAN officials. It aims to enhance the United States' already close relations with ASEAN members. Under the EAI, the United States offers the prospect of free trade agreements with individual ASEAN members that are committed to economic reforms and commercial openness. Such bilateral agreements would be based upon the high standards set in the U.S.-Singapore FTA.

Goods
The U.S.-Singapore Free Trade Agreement will lock in Singapore's current duty-free treatment on almost all U.S. products. The agreement also includes strong provisions to ensure that businesses do not falsely claim Singaporean origin for goods. Singapore is required to penalize companies engaged in such circumvention, as well as to report such actions to the United States.

Investment
The FTA includes solid protection of U.S. investors and investments in Singapore by establishing a secure, predictable legal framework for U.S. investors operating there. U.S. investors will be provided treatment as favorable as Singaporean and third-country investors. Among the rights afforded are due process protection and the right to utilize a neutral forum to resolve disputes involving the agreement's investment protection or breaches of investment agreements. The FTA also prohibits certain performance-related restrictions on U.S. investors (for instance, the requirement to use local content in manufacturing operations).

E-Commerce
The two sides recognized at the beginning of negotiations that special provisions on electronic commerce would be needed. Consequently, this is one of the areas in which the agreement breaks new ground. A number of voluntary or temporary WTO commitments, including duty-free status for products delivered electronically, are binding and permanent in the U.S.-Singapore FTA. The commitments about services in this agreement also extend to the electronic delivery of these services.

Intellectual Property
Globally, U.S. firms lose billions of dollars every year to intellectual property piracy, and this agreement goes further than any previous FTA to protect intellectual property. The agreement provides protection of copyrights, patents, trademarks, and trade secrets. It contains breakthrough protection of digital products, such as software, music, text, and videos. Composers and copyright owners are the only parties with the right to make their works available on-line. Enforcement mechanisms are also stronger. For example, there are provisions to prohibit tampering with technologies designed to prevent piracy.

The aforementioned provisions, along with important stipulations regarding telecommunications, competition policy, government procurement, labor and the environment, capital controls, and other areas, are part of one of the most comprehensive trade agreements ever negotiated. The U.S.-Singapore FTA lays the groundwork for an expanded, mutually beneficial commercial relationship.

FUTURE FREE TRADE AGREEMENTS

MAJOR PACTS ENVISIONED

Since the start of the current fiscal year, the Bush administration has officially notified Congress of its intent to initiate free trade negotiations with two groups: Central America (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and sub-Saharan Africa (members of the Southern African Customs Union). In addition, the administration hopes to develop bilateral agreements with Morocco and Australia.

U.S. Trade Representative Robert Zoellick has sent letters to Congress notifying it of U.S. objectives and goals for negotiations for each free trade agreement. Negotiations can begin 90 days after each letter was sent to Congress. Not since the Uruguay round of WTO talks has any administration so aggressively promoted free trade with our major trading partners. Members of the Bush administration strive to advance the ideals of free and fair trade in order to ensure that American workers and consumers alike benefit from access to more diverse markets.

In every case, the objective of free trade negotiations is to reduce barriers to products, services, and investment; strengthen ties between the United States and the other party or parties; and encourage exports from the United States to each country or region.

Formal negotiations for the Central America Free Trade Agreement began on January 8, 2003. The first working-level round of negotiations took place January 27 in San Jose, Costa Rica.

In addition to these newly launched negotiations, the United States is pursuing an aggressive and positive set of objectives in the WTO Doha development agenda negotiations. The Doha agenda is to be completed by 2005, with a ministerial conference to review progress this September in Cancun, Mexico. Progress in these negotiations can be monitored on the U.S. Trade Representative site (www.ustr.gov) or the WTO site (www.wto.org).

The Free Trade Area of the Americas is another ongoing pursuit that the administration is committed to completing by 2005. Creation of a hemispheric free trade area will boost the collective economic and trade capacity of the region.

The importance of global trade is evident based on the number of planned and ongoing negotiations. The International Trade Administration serves as the principal advocate for U.S. enterprises doing business abroad. The recent passage of trade promotion authority is a significant step in advancing trade and economic recovery.