

# THE EU-SINGAPORE FREE TRADE AGREEMENT

## THE EU-SINGAPORE AGREEMENTS EXPLAINED IN SIMPLE LANGUAGE

### DECIPHERING THE PROCESS

#### Why has the EU negotiated a trade agreement with Singapore?

During the past decade the world economy's centre of gravity has shifted to the Asia Pacific region. The Association of South East Asian Nations (ASEAN) – of which Singapore is a member – has emerged as one of the most dynamic growth engines of the world economy.

ASEAN is a €2.2 trillion economy with growth rates above 5.5% for the past 15 years. It represents a market of over 650 million consumers with a growing taste for western products and rising purchasing power.

Southeast Asian countries have moved towards closer economic integration within ASEAN and have further developed a dense network of trade agreements with third countries. ASEAN is the EU's third largest trading partner outside Europe, after the US and China.

In 2006, the European Commission identified ASEAN as a priority region with which to forge stronger economic ties. Negotiations for a region-to-region trade agreement with ASEAN began in 2007. In 2009, the EU and ASEAN agreed to pause the talks and instead negotiate bilateral trade agreements as building blocks towards a future region-to-region agreement.

In 2010, the EU launched negotiations for the first such agreement, with Singapore.

#### Who decided to launch negotiations for a trade and investment agreement with Singapore?

After the European Commission had identified the Association of Southeast Asian Nations (ASEAN) as a priority region with which to forge stronger economic ties, the

Council – where representatives of EU Member State governments sit – authorised the Commission to negotiate a trade agreement with ASEAN and issued negotiating directives ('mandates') for the future negotiations in April 2007.

Although negotiations for a region-to-region trade agreement with ASEAN were launched in 2007, the EU and ASEAN agreed to pause the talks in 2009 because they had reached a stalemate.

In December 2009, the Council authorised the Commission to pursue talks for bilateral trade agreements negotiations with individual ASEAN countries, starting with Singapore. Negotiations with Singapore were then launched in March 2010.

In 2011, after the Lisbon Treaty had made the EU responsible for negotiating investment agreements, the Council instructed the Commission to include investment protection in the agreement with Singapore. The negotiations on the investment protection agreement were concluded in December 2017.

#### Why in 2015 did the Commission request the Opinion of the European Court of Justice on competences in trade policy?

The EU institutions – the European Commission, the European Parliament and the Council – and the EU's Member States have for many years regarded most issues in EU trade agreements as coming under 'exclusive EU competence'. In other words, to be negotiated, agreed and ratified at EU level.

However, the European Commission and the EU's Member States have had different opinions regarding who was responsible for transport services, sustainable development and investment when these were included in trade and investment agreements.

The Commission believed it was in everyone's interest to get legal clarity. So on 10 July 2015 it asked the European Court of Justice to clarify on the division of responsibility between the European Union and the Member States.

### How will EU-Singapore trade and investment agreements be adopted?

On 18 April 2018, the Commission presented the two draft agreements to the Council together with recommendations for Council decisions for their adoption. On 15 October 2018, the Council adopted the decisions on the signature of both agreements, which were then signed on 19 October 2018 in the margins of the ASEM Summit in Brussels.

Following the European Parliament's consent to the agreements on 13 February 2019, each agreement will now follow its own adoption process. These will be slightly different, taking into account the European Court of Justice's Opinion 2/15.

The EU-Singapore Free Trade Agreement (EUSFTA), which covers only matters that fall under EU exclusive competence, will require the approval of the Council before it can enter into force. It will also require the finalisation of Singapore's internal administrative procedures and the conclusion of the final formalities of each party.

On 13 February 2019, the European Parliament gave its consent to the EUSFTA, EU-Singapore Investment Protection Agreement (EUSIPA) and EU-Singapore Partnership and Cooperation Agreement (ESPCA) by vote and on 21 November 2019, the entry into force of the EUSFTA followed.

## THE EUSFTA IN DETAIL

The EU-Singapore trade agreement will create new opportunities for EU businesses to export to Singapore. Every extra €1 billion in EU exports supports 14,000 higher-paying jobs in Europe, so the agreement will help create jobs too.

### 1. Trade in services

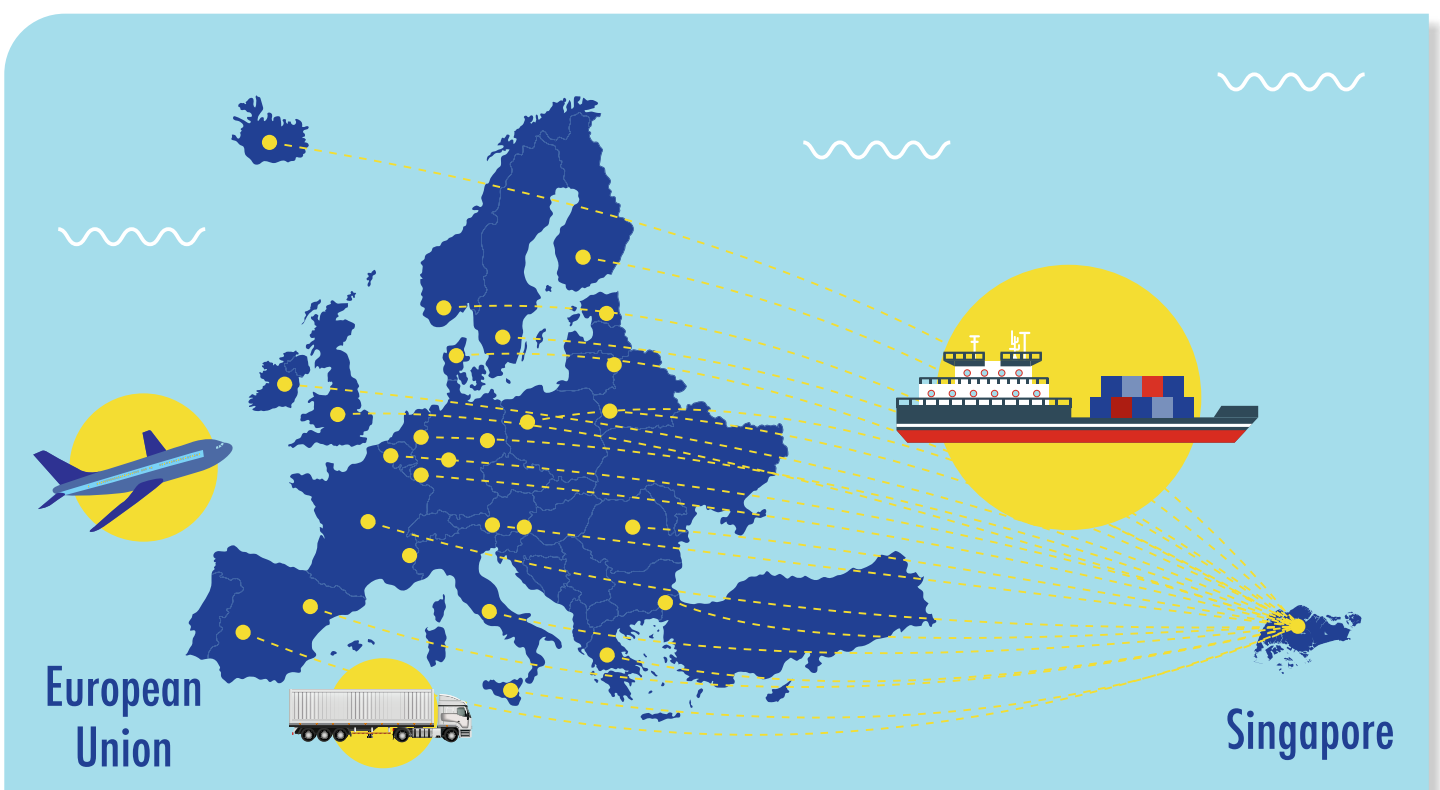
Singapore will now offer better access to its market to EU companies than it does to firms from elsewhere, in a number of sectors:

- Financial services
- Telecommunications
- Information technology
- Postal and courier
- Transport
- Environmental services

For sectors like computer or legal services, the Singaporean government will treat EU suppliers in just the same way as ones from Singapore.

The agreement also provides a framework for the EU and Singapore to recognise each other's qualifications in certain regulated professions:

- Accountants
- Architects
- Engineers
- Lawyers



## 2. Labelling and safety testing

Singapore has agreed to make it easier for the EU to export a wide range of goods on its market, by easing several obstacles to trade besides tariffs:

EU Product	What will Singapore do?
Clothing and textiles	Singapore will accept the labels and markings that the EU uses on its products.
Cars and car parts	Singapore will recognise the EU's standards and safety tests
Certain electronics	Singapore will recognise the EU's safety tests
Meat, dairy and other animal products	Singapore will evaluate the EU's inspection systems rather than individual abattoirs or food processing plants

## 3. Renewable energy

The agreement will make it easier to export and invest in equipment to generate renewable energy. It also tackles various barriers to trade in such products that go beyond customs tariffs.

## 4. Customs procedures

The agreement brings in new rules covering:

- customs - simplifying and speeding up paperwork and physical checks
- supply chains – working together more closely with Singaporean customs to ensure safety and security.

## 5. Public procurement

The agreement guarantees access for EU suppliers to Singapore's market to supply goods and services to the government.

Singapore's Government spends €20 billion each year on goods and services.

## 6. Intellectual property

The agreement improves the protection in Singapore of intellectual property owned by EU individuals or companies.

This includes:

- the results of research and development which EU companies invest in
- the work which EU artists produce.

## 7. Smaller companies

The agreement helps small EU firms export more by:

- simplifying procedures at Singaporean customs
- putting in place more compatible technical requirements and testing for products.

## 8. Environment and labour rights

The agreement promotes sustainable development: economic growth going hand in hand with strengthening of people's rights at work and protecting the environment.

It does so by setting out strong, legally-binding commitments on:

- environmental protection
- respect for people's rights at work (labour rights).

It also promotes schemes that:

- encourage firms to operate responsibly and with accountability (corporate social responsibility)
- allow companies to show they make their products in a way that respects people and the environment (sustainability assurance)
- certify that businesses are using natural resources in a way that preserves them for future generations.

## 9. Trade in goods

### a. Manufactured goods

The EU is already a major exporter of goods to Singapore.

Before the agreement, almost all goods from the EU could already enter Singapore free of customs duties.

The new agreement will cement this free access. It will also scrap customs duties on the remaining products within five years after the agreement came into force.

### b. Food and drink products

Singapore is the fifth biggest export market in Asia for EU food and drink exports, with annual exports coming to around €2 billion.

The agreement will make it easier for EU producers to export their products to Singapore not only by cutting customs duties, like the one on beer, but also by addressing issues not related to customs tariffs.

Geographical Indications (GIs) are distinctive food and drink products from specific regions in the EU.

Singapore has agreed to strengthen its existing geographical indications (GI) regime by setting up a system to register GIs in Singapore.

Once registered in Singapore, around 190 GIs for wines, spirits and certain agricultural products will enjoy levels of protection equal to those in the EU.

Better protection for such products will also improve Singapore consumers' awareness of authentic top-quality EU GI products.

Examples of GIs that could be protected thanks to the agreement

Wine, beers, spirits	Spain	Jerez
Cheese	France	Comté
Meat	Germany	Nürnberger Bratwürste
Fruits, nuts, sweets	France	Pruneaux d'Agen
Flavourings	Italy	Aceto balsamico di Modena

## THE EUSIPA IN DETAIL

The EU-Singapore Investment Protection Agreement sets out rules that give EU investors and their investments in Singapore a high level of protection, while safeguarding EU governments' right to pass new laws and update existing ones. It will replace the investment treaties that 13 EU countries currently have in place with Singapore. And it will include innovative provisions that are not found in those treaties.

### 1. Encouraging investment

The EU and Singapore have already invested a lot in each other. The investment agreement will encourage EU companies to invest more in Singapore, and Singaporean companies to invest more in the EU.

It will do so by:

- replacing old-style investment treaties between individual EU countries and Singapore with a single set of modern rules to protect investments that will apply to all 28 EU countries
- ensuring that governments in the EU and Singapore treat each other's investors equally and fairly and do not discriminate against them
- offering investors a modern Investment Court System for resolving investment disputes – with all the innovations of the EU's new approach in this area.

### 2. Ensuring governments treat foreign investors fairly

The agreement will give EU and Singaporean investors more certainty and predictability when they invest in each other's markets.

## HOW THE EU-SINGAPORE FTA COULD HELP SMES

Minister-in-charge of Trade Relations, Mr S Iswaran commented, during a business reception in Brussels in September 2019, that the EUSFTA would be particularly helpful for SMEs, most of which are struggling to cope with the dismal global economy as of late. While large firms are able to find their way around the world, smaller companies need assistance in navigating new markets and to gain access to them.

Chairman of the European Services Forum (ESF), Mr Noel Clehane agreed and added the following benefits: (i) improved market access for a range of services, and (ii) the facilitation of mobility for professionals between the EU and Singapore, which would be vital in assisting with staff secondment and transfers.

## EUSFTA SERVES AS A PATHWAY TO A POTENTIAL FUTURE EU-ASEAN TRADE AGREEMENT

Mr Iswaran also noted that the rising of the middle class in Southeast Asia meant that there is also a rising demand for high-quality goods and services, education, and healthcare; all of which are a specialty of Europe. In addition, the EUSFTA deals in the movement of goods and services in a traditional sense, but firms today deal in the digital movement of data too, so he emphasised that "we should really focus now on digital economy initiatives," and these could include rules governing the movement of data across borders, or those around cross-border e-payments.

## IN SUMMARY: BENEFITS OF THE EU-SINGAPORE FTA (EUSFTA)

- Offers both parties better commitments on services and government procurement
- Agrees on an advanced regulatory framework for many services sectors
- Fosters and protects foreign direct investment
- Removes many technical barriers to trade, such as duplicative testing requirements for motor vehicles, electronics or certain green technologies, nearly all customs duties and get rid of overlapping bureaucracy
- Facilitates meat exports based on modern audits of national systems
- Agrees on a high level of protection and enforcement of intellectual property rights as well as, based on a register of geographical indications (GI), a higher level of GI protection
- Makes a special effort to use the EUSFTA as a means to stimulate green growth in Europe and Singapore

It will do so by ensuring that governments on both sides treat foreign investors fairly. In the agreement both sides offer basic guarantees to each other that they:

- won't discriminate against each other's investors, but instead
- will treat them in line with some basic principles known as 'standards of investment protection'.

### 3. Improving mechanisms for resolving investment disputes

The agreement includes mechanisms to settle disputes between investors and states.

These include a new Investment Court System (ICS), which will replace an old system for dealing with conflicts, known as investor-state dispute settlement (ISDS). This is part of many existing bilateral investment agreements between Singapore and individual EU countries.

#### Main features of the new ICS:

- **Permanent**  
Permanent tribunal to ensure legal correctness and certainty.
- **Transparent**  
Hearings held in public.  
Documents relating to cases published online.
- **Fair**  
Clearly-specified grounds on which an investor can challenge a state.

#### 4. Protecting governments' right to make new laws or update existing ones

The agreement enshrines governments' right to make new laws and regulations to pursue their goals ('right to regulate in the public interest'), including when such regulations affect a foreign investor or her investment.

It also clarifies that governments remain free to change their laws in the future, even if that means the investor can expect to make less profit as a result.



There's always a way  
to **make life better**

