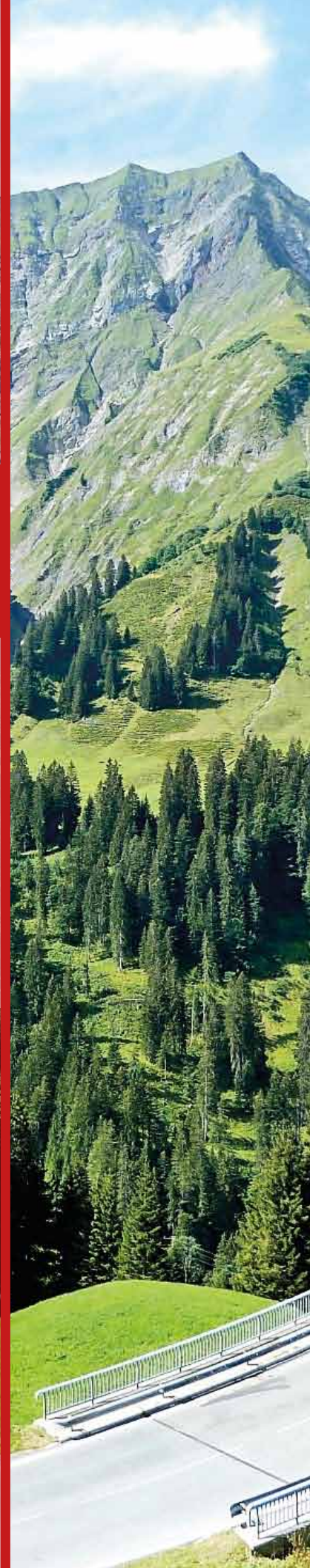




Europe (ESFTA)

The EFTA-Singapore FTA (ESFTA) initiative was first mentioned at the EFTA Ministerial Meeting on 12 December 2000. The EFTA is a free trade area comprising of Switzerland, Iceland, Liechtenstein and Norway. After one round of exploratory talks in Geneva, both sides announced the launch of negotiations on 4 May 2001. The Agreement was signed on 26 June 2002, in Egilsstadir, Iceland, after three rounds of negotiations which took place from July-November 2001. The Agreement came into force on 1 January 2003 and is currently Singapore's only FTA with Europe.



Benefits to Singapore Exporters to ESFTA

The removal of tariffs on 99.8 per cent of Singapore's domestic exports to EFTA has benefited exporters. It has also reduced cost burdens for Singapore businesses exporting to the EFTA market.

Exporters to EFTA will enjoy such preferential tariff treatment for a wide range of products. In particular, Singapore businesses will benefit from zero-tariff concessions in the following key sectors:

- Chemicals & petroleum products
- Electrical & electronic products
- Fabricated metal products
- Instrumentation equipment
- Pharmaceuticals
- Plastic products
- Transport equipment

Trade in Goods

The ESFTA provisions governing trade in goods build on the WTO commitments of EFTA and Singapore. Trade in Goods between EFTA and Singapore are governed by:

- 1) The Trade in Goods Chapter within the main ESFTA Agreement, which covers HS Chapter 25-97 (i.e. industrial products) and processed agricultural products in HS Chapter 1-24.
- 2) Bilateral agriculture agreements which cover basic agriculture products in HS Chapter 1-24. These bilateral agreements form part of the instruments establishing the main ESFTA Agreement.
- 3) Annexes to (1) and (2) above set out clearly each country's commitments in the area of tariff concessions. These schedules stipulate the products that would be subject to zero-tariff concessions when the ESFTA enters into force.

The ESFTA also provides for the elimination of all import and export prohibitions or restrictions on trade in goods between EFTA and Singapore. There is explicit abolition of anti-dumping measures on goods originating in the Parties.

Rules of Origin (ROO)

Origin Criteria

Products are divided into two categories:

- 1) Wholly Obtained Products—Refer to commodity products such as orchids grown in Singapore. Such products are automatically accepted as originating in Singapore.
- 2) Manufactured Products—Made from exclusively Singaporean or EFTA materials; or made from Singaporean, EFTA or imported materials or a combination of any materials from these sources.

Products will be considered originating in Singapore if they meet the Product-Specific Rules in the Agreement as follows:

- 1) Change in tariff classification (CTC)—Essentially the ROO require that the products be substantially transformed in Singapore. Such transformation is deemed to have occurred if there is a CTC. The Harmonised System of Classification categorises products into chapters (two-digit), headings (four-digit) and sub-headings (six-digit). The CTC rule in the ESFTA requires the final product to have a different four-digit heading from the materials used in its production.
- 2) Value-add—For some products, a value-add 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 the EFTA or Singapore component of these inputs towards the specified percentage. Depending on the product, the specified local content ranges from 40 to 80 per cent ex-works price.

$$\text{Ex-Factory Price} = \text{Ex-Factory Cost} + \text{Profits}$$

where

$$\text{Ex-Factory Cost} = \text{Total raw material costs} + \text{Direct Labour Costs} + \text{Direct Overhead Costs}$$

- 3) Process definition—For some products, a process definition is provided for in the ROO. Under this rule, products that undergo the specified manufacturing process or processes in Singapore will be considered of Singapore origin.

Outward Processing

For the ESFTA, a good has to satisfy the requirements of Appendix 3 to Annex I to engage in outward processing as follows:

- 1) For products listed in the table in Appendix 3 to Annex I, the total value of all non-originating materials and costs accumulated outside Singapore during outward processing, including transport costs, must not exceed 50 per cent of the ex-works price of the final good. Ex-works price means the price paid for the product ex-works to the manufacturer in a Party in whose undertaking the last working or processing is carried out, provided the price includes the value of all materials used, minus any internal taxes returned or repaid when the product obtained is exported.
- 2) For products not listed in the table, the total value of all non-originating materials and costs accumulated outside Singapore and EFTA countries during outward processing, including transport costs, must not exceed 10 per cent of the ex-works price of the final good.

Customs Documentation

The ESFTA only requires the importer, exporter or manufacturer to make a declaration of the originating status of the product. For the purpose of obtaining preferential tariff treatment in another Party, a proof of origin in the form of an origin declaration shall be completed by an exporter of a Party for products that can be considered as products originating in a Party and that fulfil the other requirements.

The origin declaration referred to in paragraph 1, shall have the following wording:

"The exporter of the products covered by this document (customs authorization no.) (1) declares that, except where otherwise clearly indicated, these products are of (2) preferential origin."

..... (3)

(Place and date)

.....(4)

(Signature of the exporter; in addition, the name of the person signing the declaration has to be indicated in clear script)

The origin declaration may be provided on an invoice or any other commercial document that describes the products concerned in sufficient detail to enable them to be identified. The ESFTA also sets out a set of administrative procedures for the implementation of the ROO. This system of certification is a trade facilitative procedure that simplifies documentation procedures and will help Singapore exporters to EFTA.

Mutual Recognition Arrangement for Goods

The rights and obligations of the Parties in respect of technical regulations, standards and conformity assessment shall be governed by the WTO Agreement on Technical Barriers to Trade.

The Parties shall strengthen their co-operation in the field of technical regulations, standards and conformity assessment with a view to increasing the mutual understanding of their respective systems and facilitating access to their respective markets. To this end, they shall in particular co-operate in:

- 1) reinforcing the role of international standards as a basis for technical regulations including conformity assessment procedures;
- 2) promoting the accreditation of conformity assessment bodies on the basis of relevant ISO/IEC Standards and Guides; and
- 3) promoting the mutual acceptance of conformity assessment results of the above bodies that have been recognised under an appropriate multilateral agreement between their respective accreditation systems or bodies.

Trade in Services

Both the EFTA States and Singapore guarantee market access into a wide range of services sectors. Singapore service suppliers would be able to enjoy enhanced market opportunities into the services markets of the EFTA states. The Services Chapter gives assurance that the EFTA states would not impose additional barriers to entry for the committed services sectors.

Investment

The chapter covers the various stages of investment, ranging from the pre-investment stage to the post-investment stage. Investors who can benefit from this chapter are also not limited to only nationals of Singapore or companies owned by Singaporeans, but also include permanent residents and enterprises with substantial business activities in Singapore.

The chapter provides a comprehensive set of disciplines, including non-discriminatory treatment, free transfers and movement of key personnel, among others. Only a total of 23 reservations were taken by the five countries. Except for these limited areas, investors from both countries will enjoy the liberal investment regimes that both countries will be binding under the chapter. The salient features of this chapter include:

- 1) Beneficiaries—Investors from Singapore who are either Singaporean citizens, permanent residents or an enterprise having substantial business activities in Singapore are covered under the Agreement when they invest into any of the EFTA member states. Similarly, for EFTA investors investing into Singapore. The fact that enterprises in Singapore are covered is important as it enhances our role as a hub from which MNCs can invest into the EFTA member states.
- 2) Broad range of investment instruments—For investments, the chapter includes both traditional investment instruments such as stocks and equities, as well as intellectual property rights, debentures and rights conferred by contracts.
- 3) Expropriation & Compensation—No Party can unduly expropriate investments unless the expropriation is premised on public purposes as defined in the Agreement. In the event that such expropriation occurs, the governments are required to afford compensation for the expropriated investment.
- 4) Free Transfers—The EFTA member states and Singapore will allow the investors to freely repatriate and transfer funds related to their investments (such as capital, dividends, profits and royalties) into and out of the country.

Movement of Business Persons

Natural persons covered by a Party's specific commitments shall be allowed to supply the service in accordance with the terms of those commitments. This shall not apply to measures affecting natural

persons seeking access to the employment market of a Party, nor shall it apply to measures regarding citizenship, residence or employment on a permanent basis.

This chapter shall not prevent a Party from applying measures to regulate the entry of natural persons of another Party into, or their temporary stay in, its territory, including those measures necessary to protect the integrity of, and to ensure the orderly movement of natural persons across, its borders, provided that such measures are not applied in a manner so as to nullify or impair the benefits accruing to a Party under the terms of a specific commitment.

Government Procurement

The rights and obligations of the Parties to this Agreement in respect of public procurement shall be governed by the WTO Agreement on Government Procurement.

The Parties agree to co-operate in the Joint Committee with the aim of increasing the understanding of their respective public procurement systems, and achieving further liberalisation and mutual opening up of public procurement markets.

Dispute Settlement

The provisions of this chapter shall apply with respect to the avoidance or the settlement of all disputes arising from this Agreement between any one or more of the EFTA States and Singapore.

Good offices, conciliation and mediation are procedures that are undertaken voluntarily if the Parties involved so agree. They may begin at any time and be terminated at any time.

The arbitration panel shall within 90 days from the date of the establishment of the arbitration panel present to the Parties to the dispute an initial report. The arbitration panel shall base its report on the submissions and arguments of the Parties to the dispute. A Party to the dispute may submit written comments to the arbitration panel on its initial report within 14 days of presentation of the report.

After considering such written comments, the arbitration panel, on its own initiative or at the request of any of the Parties to the dispute, may:

- 1) request the views of any of the Parties to the dispute;
- 2) reconsider its report; and
- 3) make any further examination that it considers appropriate.

The arbitration panel shall present to the Parties to the dispute a final report containing the matters referred to in paragraph 2 of Article 62, including any separate opinions on matters not unanimously agreed, within 30 days of presentation of the initial report. Unless the Parties to the dispute decide otherwise, the final report shall be published 15 days after it is presented to them.

Intellectual Property (IP)

Both parties agreed on TRIPS-plus provisions for enhanced IP standards in areas of mutual interest: specifically on accession to the WIPO Internet Treaties by 1 January 2005 and adoption of the IP standards set out in the European Patent Convention (EPC).