

REVIEW OF THE AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF SINGAPORE FOR A NEW-AGE ECONOMIC PARTNERSHIP

BACKGROUND

1. The Agreement between Japan and the Republic of Singapore for a New-Age Economic Partnership Agreement (JSEPA) marked a major milestone of our bilateral relations with Japan. It was Japan's first FTA and our first with a major trading partner. The agreement was signed by then-PM Goh and then-PM Koizumi on 13 January 2002 in Singapore and came into force on 30 November 2002.

2. JSEPA has brought substantive benefits to Japan and Singapore by laying a solid foundation for firmer economic linkages and integration between the two countries. Under the existing JSEPA, Japan increased its zero-tariff commitments from 34% of total tariff lines under WTO to 77%. JSEPA also liberalised trade in services significantly, expanding its commitments from 103 services sectors under WTO to 135.

JSEPA REVIEW

3. The JSEPA Review was launched in April 2006. After 2 rounds of Supervisory Committee meetings held at the senior officials' level and 7 rounds of Expert Groups' meetings, both countries reached an agreement in principle on the major elements of the revised JSEPA, in January 2007. The text has since been undergoing a process of legal vetting and technical fine-tuning in preparation for the signing of the revised agreement.

4. The revised JSEPA will be signed by the Prime Ministers of Singapore and Japan on 19 March 2007. The tariff concessions will come into effect in January 2008, whilst the other amendments to the agreement will be effected after it has undergone the necessary legislative processes in the respective parties.

5. The revised JSEPA will result in improved market access for goods, revised rules of origin, improved specific commitments for financial services, revised customs procedures and technical alteration to provisions on competition.

KEY ELEMENTS

6. Trade in Goods: All in all, the revised JSEPA will provide Singapore tariff-free treatment for 8315 industrial and agricultural products, which constitute approximately 92.1% of Japan's total tariff lines. In the area of industrial products, Japan will grant concessions on 26 petrochemical/plastic products with varying staging periods for tariff reduction. These products account for over S\$500 million in domestic exports from Singapore. In the area of agricultural products, Japan will grant additional concessions for more than 1340 products in

total, which will account for approximately over S\$400 million in domestic exports from Singapore.

7. Rules of Origin: The threshold of the Value-Added rules in JSEPA will also be reduced from 60% to 40% for most of the products.

8. Financial Services: Japan and Singapore will reciprocate each others' commitments in cross-border asset management, and allow cross-border offer and sales of collective investment products to institutional investors, as well as through the local securities firms. In the area of banking, Singapore will offer one Full Bank licence, as well as lift the numerical restrictions on Wholesale Banking licences for Japanese banks. In the area of insurance, Japan will remove the restriction for Singapore-based brokers to access Japan-based clients for marine, aviation and transit (MAT) insurance and reinsurance, on a cross border basis.

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