

MEDIA INFO-NOTE

Peru-Singapore Free Trade Agreement (PeSFTA)

Background

The Peru-Singapore Free Trade Agreement (“PeSFTA”) was signed in Lima, Peru on 29 May 2008 by Singapore’s Minister for Trade and Industry Mr Lim Hng Kiang and Peru’s Minister for Foreign Trade and Tourism Ms Mercedes Araoz. Negotiations were first launched on 19 November 2004 on the sidelines of the APEC Leaders’ Economic Meeting in Santiago (Chile) and the agreement was concluded in September 2007.

2. The PeSFTA is the second bilateral FTA between Singapore and a South American country. By deepening the economic linkages between Peru and Singapore, the Agreement will form one of the building blocks towards increased engagement across the Asia-Pacific. An ambitious and high-standard FTA, the PeSFTA will serve to complement the WTO and hasten progress towards global trade liberalisation.

3. The Parties are targeting for the Agreement to enter into force on xx 2008.

Key Elements of Peru-Singapore FTA

4. The PeSFTA covers trade in goods, rules of origin, trade remedies, sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), trade in services, investment, government procurement, customs procedures, temporary entry of persons, competition, institutional provisions and dispute settlement.

Key Outcomes of the Peru-Singapore FTA

MARKET ACCESS

5. On the whole, the market access package sees the elimination of duties on the majority of tariff lines upon entry into force of the agreement. Upon entry into force of the agreement, over 80% of Singapore's domestic exports are eligible for immediate tariff elimination (based on 2005 trade figures). Another 8% of Singapore's domestic exports will be covered over 5 years, and the remaining 11% will be eligible for duty-free treatment over a period of 10 years. Key exports that will benefit include electronics like digital audio equipment, chemicals, plastics, machinery and steel-related products.

RULES OF ORIGIN (ROO)

6. The Rules of Origin (ROO) set out the rules to determine the origin of products and their eligibility for preferential tariff treatment. In order to promote trade flows, both Parties have agreed on a whole set of product-specific rules (PSR) which are as open and trade-facilitative as possible. Key sectors that will benefit from the liberal process rules would include the chemical and plastics and the electrical machinery and electronics chapter, which will cover the majority of Singapore's export interests to Peru. These include:

- a. Provisions for our chemical and plastics products to qualify for concessions if it meets the chemical reaction rule, or if the product meets a product-specific rule as an alternative rule. For the electrical and electronics products (for which we have secured some of the most liberal rules amongst all our FTAs), the provision to qualify for preferential treatment is largely a liberal Change in Tariff Sub-Heading rule, or if at least 40-45% of the value of the goods originate from the Party as an alternative rule.
- b. The Parties recognize certain industrial goods produced from recovered goods in the territory of a Party as originating. These goods must have the same life expectancy and meet the same performance standards as new goods.

COMPETITION

7. The provisions in the Competition Policy chapter contribute to the fulfilment of the free trade agreement and the curtailment of anti-competitive business practices. Both Parties have recognised the importance of enhanced cooperation and coordination to further effective competition law and policy development in the free trade area. The chapter also encourages cooperation between the respective competition authorities.

TRADE REMEDIES (Anti-dumping and Safeguards)

8. The Parties have agreed to reaffirm their rights and obligations under the GATT and that a Party may initiate bilateral safeguard measures.

CUSTOMS PROCEDURES

9. The Customs Procedures chapter seeks to institutionalise a platform to facilitate trade amongst the Parties. This includes enhancing transparency in regulation so that traders would be fully aware of the Customs requirements and procedures in the respective countries. Key facilitative commitments under this chapter include:

a. Risk Management

The Customs Administrations of the Parties have agreed to enhance the application of risk management to focus on high-risk goods and facilitate the clearance of low risk consignments.

b. Advance Rulings

The Customs Administrations in each country will on the request of the trader provide an advance ruling on the eligibility of originating goods for preferential tariffs and tariff classification, providing traders with greater certainty on the status of their goods at the country of import.

c. Review and Appeal

Both Parties have agreed to provide the importers in their countries with access to administrative review and judicial review of the decisions taken by the competent government authorities including those decisions pertaining to the preferential tariff treatment of the goods.

SERVICES

10. The Cross Border Trade in Services Chapter is a comprehensive chapter that binds the Parties to their current levels of liberalization as well as any future liberalization in most services sectors. This chapter guarantees services suppliers from Singapore a level playing field in most sectors, including courier services, environmental services, construction services, professional services and private health and social services.

11. The key features of the Chapter are as follows.

- a. Beneficiaries. Singapore service suppliers with substantial business operations in Singapore, provided they are not shell companies, will be able to take advantage of the benefits under this agreement.
- b. Non-discriminatory treatment. Singapore service suppliers will be granted the same treatment as local Peruvian service suppliers.
- c. Most Favoured Nation. If a Party grants more favourable treatment to any other country in the future, that Party will be required to extend the same treatment to the other Party. This means that Singapore service suppliers will be able to ride on any further commitments by Peru in their future FTAs with other countries.
- d. Local Presence. Parties may not require a service supplier to establish a representative office or any other form of enterprise as a pre-condition for the provision of cross-border services.
- e. Domestic Regulation. There are also disciplines on domestic regulation to ensure that Parties impose measures in a manner that is reasonable, objective and impartial.

12. The Chapter takes a negative list approach, which starts from the premise that all sectors are open, except for those measures or sectors which have been expressly reserved. This creates a more predictable business environment for Singapore businessmen, who would have a better knowledge of the sectors which are protected before entering the respective markets.

13. Under this approach, Parties have listed in Annexes 11B and 11C respectively existing measures that do not conform to the agreement but which they intend to maintain. These measures however cannot become more trade-restrictive and any future liberalization must be locked in. Listed in Annexes 11D and 11E are the sectors in which Parties are free to take any measures.

INVESTMENT

14. The Investment Chapter aims to foster an open environment for cross-border investment, minimize restrictions, strengthen protection of investments and provide access to each other's markets. The key features of the Chapter are highlighted as follows:

- a. Coverage: The Investment Chapter ensures the investors coverage of the entire lifespan of investments from pre-establishment to sale.
- b. Non-discriminatory treatment: Based on a negative-list approach, the Chapter deems all investment sectors in Peru as open to Singapore investors unless otherwise listed in the Annexes. Thus, in committed sectors a Singapore investor will enjoy the same level of treatment which is accorded to local companies, at both central and regional levels. The Peruvian investor will also benefit likewise in Singapore.
- c. Expropriation and Compensation: The Chapter contains strong safeguards against unreasonable expropriation by both the governments of Singapore and Peru. In the event of an expropriation, investors will be entitled to compensation.
- d. Investor to State dispute settlement: Should an aggrieved investor who has suffered losses feel that the Peru or Singapore government has acted in breach of its obligations under the Chapter, it can take the Peru or Singapore government to an international arbitration tribunal. This right of the investor is in addition to and independent of any other contractual rights. Such an undertaking sends a strong signal that both countries are committed to maintaining open economies with attractive investment regimes.
- e. Non-application of "performance requirements": Significantly, both sides have agreed not to impose a list of restrictive conditions ("performance requirements") relating to the establishment and management of investments, as well as to the granting of incentives.

15. The Investment Chapter will protect investments from Singapore into Peru, and vice-versa. For Singapore, investments owned by either (a) Singapore citizens or permanent residents or (b) Singapore-incorporated companies with substantive business operations here, will benefit from this chapter. This means that a foreign-owned company with substantive business operations in Singapore will enjoy the protection and liberalization benefits of the Investment Chapter when investing in Peru. (Shell companies without substantive business operations and not owned by Singaporeans are not included.) This broad coverage of beneficiaries is important for Singapore to help enhance our role as a hub from which foreign investments based in Singapore can invest in Peru.

TECHNICAL, SANITARY & PHYTOSANITARY REGULATIONS, AND STANDARDS

16. The Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) chapters serve to facilitate trade by enhancing cooperation and improving transparency. They also provide a framework to address potential barriers to trade posed by standards and technical regulations.

GOVERNMENT PROCUREMENT

17. This chapter sets out the commitments by both Parties to open their government procurement market in order to maximize competitive opportunities for their suppliers. The coverage of the GP chapter brings about greater certainty and offers more opportunities to Singapore companies and businesses that would like to participate in Peruvian government procurement contracts.

18. Under the chapter, procuring entities in each Party will grant equal and non-discriminatory access to government tenders in excess of the agreed monetary thresholds to the other Party's suppliers.

19. The agreed thresholds for both Parties are as follows:

		Central Government Entities	Sub-central Government Entities	Other Entities
Peru	Goods and Services	SDR 130,000	SDR 130,000	SDR 400,000
	Construction Services	SDR 5 million	SDR 5 million	SDR 5 million
Singapore	Goods and Services	SDR 130,000	Not applicable	SDR 400,000
	Construction Services	SDR 5 million	Not applicable	SDR 5 million

20. In addition, both Parties will, to the extent possible, make procurement opportunities that are available to the public accessible to suppliers via the Internet or any publicly available electronic medium.

DISPUTE SETTLEMENT

21. The Parties have agreed on a comprehensive set of rules governing the settlement of disputes. This will ensure that if a dispute does arise, an efficient and effective framework for its resolution is readily available. PeSFTA sets out a robust process for dispute settlement that first seeks to produce mutually satisfactory solutions through consultations.

REVIEW OF THE AGREEMENT

22. The Parties' respective Ministers in charge of trade, or their designated officials, will meet two years after PeSFTA enters into force for a review. Further reviews will be carried out from time to time, as mutually agreed.

Ministry of Trade and Industry
Singapore
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