

FREE TRADE AGREEMENT BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND THE REPUBLIC OF SINGAPORE (CSFTA)

MEDIA INFO-KIT

Introduction

1. Negotiations for the China-Singapore Free Trade Agreement (CSFTA) were launched in August 2006 by Singapore Deputy Prime Minister Wong Kan Seng and former PRC Vice Premier Madam Wu Yi. This followed the positive recommendation by the China-Singapore Joint Expert Group, which was established in April 2006 to study the feasibility of the FTA. The study concluded that the FTA would provide economic benefits for both sides.
2. Eight rounds of negotiations were held over two years in both Singapore and Beijing. The CSFTA negotiations were concluded on 3 September 2008 in Beijing. The Agreement was subsequently signed between Singapore Minister for Trade & Industry Lim Hng Kiang and PRC Minister for Commerce Chen Deming. The ceremony was witnessed by both Prime Minister Lee Hsien Loong and PRC Premier Wen Jiabao, on 23 October 2008 in Beijing. The CSFTA will come into force on 1 January 2009, once both parties have completed the necessary legislative processes.
3. This is the first comprehensive bilateral FTA that China has signed with another Asian country, covering trade in goods, trade in services, rules of origin, trade remedies, sanitary measures, technical barriers to trade, customs procedures, economic cooperation and dispute settlement, among others.
4. China is one of the largest and fastest growing markets in the world. The Agreement will enhance Singapore companies' access to the vast Chinese market and further boost our excellent bilateral trade and investment relations. Currently, China is Singapore's third largest trading partner and largest investment destination. Bilateral trade reached a record high of S\$91.6 billion in 2007. Singapore's cumulative actual investments reached US\$33.2 billion as of end-2007.

Chapters of the CSFTA

5. The CSFTA comprises the following Chapters:

- Chapter 1 - Initial Provisions
- Chapter 2 - General Definitions
- Chapter 3 - Trade in Goods
- Chapter 4 - Rules of Origin
- Chapter 5 - Customs Procedures
- Chapter 6 - Trade Remedies
- Chapter 7 - Technical Barriers to Trade, Sanitary and Phytosanitary Measures
- Chapter 8 - Trade in Services
- Chapter 9 - Movement of Natural Persons
- Chapter 10 - Investment
- Chapter 11 - Economic Cooperation
- Chapter 12 - Dispute Settlement
- Chapter 13 - Exceptions
- Chapter 14 - General and Final Provisions

Key Features of the CSFTA

Trade in Goods

6. The Trade in Goods Chapter builds on the commitments of China and Singapore under the Framework Agreement on Trade in Goods between ASEAN and China. It provides for accelerated tariff concessions that will enhance the competitiveness of Singapore goods vis-à-vis other foreign imports into China. This will give Singapore companies a headstart and strengthen their competitive position in the Chinese market.

7. In sum, the Agreement will provide preferential coverage for about 95% of Singapore's exports to China, with a trade value of more than S\$18 billion¹. More than 85% of Singapore exports to China will be at zero-tariff upon the FTA's entry into force on 1 January 2009. An additional 10% will become duty-free on 1 January 2010. Key exports that will benefit include petrochemicals, processed foods, and electronics and electrical products.

8. On the other hand, Singapore will grant preferential tariff-free treatment for all China exports upon the entry into force of the Agreement. Under this arrangement, well-known China-produced beers like Tsingtao and Yanjing Beer will have easier access to the Singapore market and Singapore consumers may enjoy them at more competitive prices.

¹ Based on 2007 trade figures.

9. Singapore and China also agreed that any non-tariff measures, if applied, are transparent and not adopted with a view to creating unnecessary obstacles to trade.

Rules of Origin (ROO)

10. The Rules of Origin (ROO) determine the “nationality” of the products. They ensure that only products substantially transformed in Singapore or China will enjoy the preferential treatment agreed under the Agreement. For CSFTA, a product can qualify for preferential treatment if at least 40% of value-add has taken place in the originating country.

Customs Procedures:

11. In parallel with the tariff concessions under CSFTA, Singapore and China have agreed to simplify our customs procedures to facilitate Goods trade. The key facilitative commitments under the Chapter include:

- a. Third Party Invoicing: Singapore and China agreed to recognise third party invoicing. This means that even if the invoices for Singapore’s exports to China, or vice versa, are issued in third countries, the originating Goods will still qualify for preferential treatment as long as they are shipped from either of the signatory countries. This provision will more accurately reflect current invoicing practices of multinational companies and their subsidiaries around the world.
- b. Advance Ruling – Both sides agreed on a system to provide advance ruling on the eligibility of the originating goods for preferential treatment. This is done prior to the importation of goods and can be granted to traders upon request. This system will provide traders with more certainty on the status of their goods at the country of import.
- c. Risk Management – Both sides also agreed to enhance the application of risk management to focus on high-risk goods and facilitate the clearance of low risk consignments. The customs authorities on both sides will also exchange best practices on risk management techniques.

Trade Remedies

12. Singapore and China reaffirmed our commitments under the WTO Anti-dumping Agreement, Agreement on Safeguards, and Agreement on Subsidies and Countervailing Measures. We agreed to carry out any trade remedy actions in a transparent manner. Either country may also request for consultations on any implementation matters arising from this Chapter.

Trade in Services

13. The Trade in Services Chapter builds on the commitments made by Singapore and China at the multilateral level, including WTO General Agreement on Trade in Services (GATS) and the Framework Agreement on Trade in Services between ASEAN and China. This will provide Singapore service suppliers enhanced market opportunities into China.

14. The Chapter consists of general disciplines governing trade in services between Singapore and China. The committed sectors are subject to market access, national treatment and domestic regulation disciplines.

- a. The market access obligation means that a country cannot impose additional market access restrictions for these sectors, both quantitative and qualitative. For instance, restrictions cannot be imposed on: i) the number of service suppliers, service operations or persons employed in a particular service sector; ii) the value of services; or iii) the legal structure used.
- b. The national treatment obligation means that a country must accord the same treatment to both local and foreign service suppliers.
- c. The domestic regulation obligation means that a country must impose such measures governing the provision of services in a reasonable, impartial and objective manner.

15. Singapore and China committed to liberalise various services sectors beyond its WTO commitments. The sectors for which Singapore gets preferential access include business services and hospital services. China will enjoy preferential access for sectors such as business services, education services and hospital services.

16. For health services, China also committed to recognise medical degrees from two institutions in Singapore, and Singapore committed to recognise degrees from two Traditional Chinese Medicine (TCM) institutions in China². Under the FTA, approved Chinese TCM universities will also be able to conduct TCM External Degree Programmes in Singapore. Singaporeans interested in gaining or enhancing their TCM skills may therefore enjoy wider choice of training opportunities.

17. The Chapter also aims to facilitate freer movement of professional bodies between the two countries through Mutual Recognition Agreements (MRAs). Under the Agreement, professional bodies in the accounting and auditing as well as architecture services from both countries will commence negotiations as soon as possible, with a view to recognizing each other's education and professional qualifications. Professional bodies for other services sectors are also encouraged to enter into negotiations for MRAs.

18. Generally, the benefits of the Agreement will extend to the citizens, Permanent Residents, local companies as well as multinational companies (MNCs) based in Singapore or China.

Movement of Natural Persons

19. The cross-border movement of natural persons plays a central role in initiating and supporting trade and investment in goods and services. This chapter enhances trade and investment flows by facilitating easier temporary entry for three categories of business persons from Singapore and China. Singapore's commitments are as follows:

- a. Business Visitors who are holders of valid 5-year multiple journey visas will be permitted to enter and engage in business activities for a period of up to 60 days, which upon request, may be further extended by up to 30 days upon request. Business visitors who are holders of other visas will be permitted to enter and engage in business activities for a period of up to 30 days, which may be extended by a period of up to 30 days upon request.
- b. Contractual service suppliers will be granted temporary entry to service their contracts for an initial period of up to 90 days, with possibility for a further period of up to 90 days.

² The two TCM universities are to be selected by the Singapore Traditional Chinese Medicine Practitioners Board (TCMPB) and they must meet TCMPB's criteria. To date, Singapore has recognized six TCM universities from China. They are Beijing University of TCM, the Chengdu University of TCM, the China Academy of TCM, the Guangzhou University of TCM, the Nanjing University of TCM, and the Shanghai University of TCM.

- c. Intra-corporate transferees (i.e. managers, executives and specialists within organisations) will be permitted to stay and work in Singapore for an initial period of up to 2 years of the period of the contract. The period of stay may be extended for period of up to 3 years at a time for a total term not exceeding 8 years.

China's commitments are as follows:

- a. Business visitors will be granted entry for up to 6 months.
- b. Contractual service suppliers in eligible sectors³ will be granted entry for up to 1 year, or the length of contract, whichever is shorter.
- c. Intra-corporate transferees will be granted entry for up to a period of 3 years, or the length of contract, whichever is shorter.

20. The Movement of Natural Persons chapter does not apply to measures regarding citizenship, residence or employment on a permanent basis. It also does not apply to immigration measures as long as these immigration measures do not nullify or impair the commitments made by either country.

21. The Chapter will grant Singapore and Chinese citizens and Permanent Residents guaranteed entry and stay in each other's country as business visitors, short-term services suppliers and intra-corporate transferees.

22. Singapore companies will have certainty when they choose to deploy Singapore staff to help manage their Chinese operations. Skilled and qualified services suppliers from Singapore would also gain assured access to the vast Chinese market. Similarly, this would also apply to Chinese companies when they deploy Chinese staff to manage their operations in Singapore.

23. With freer movement of business persons between countries, bilateral trade and investment flows should be significantly enhanced. Hence, companies from both countries can leverage on the chapter to drive greater economic integration between Singapore and China.

³ Accounting services, medical and dental services, architectural services, engineering services, urban planning services (except for general urban planning), computer and related services, construction and related engineering services, education services, and tourism services.

MOU on Bilateral Labour Service Cooperation

24. In addition to the FTA, Singapore and China also concluded an MOU on Bilateral Labour Service Cooperation. This provides for the protection of Chinese work permit holders in Singapore by both countries. Both countries also agreed to collaborate closely to enhance sharing of information as well as promote education of workers, employers and labour intermediaries.

Technical Barriers to Trade/Sanitary and Phytosanitary Measures

25. Singapore and China look forward to negotiating Mutual Recognition Agreements (MRAs) on conformity assessment, specifically on Electronics and Electrical Equipment and Telecommunications Equipment. Such MRAs will provide for mutual recognition of test results and certification by recognized conformity assessment bodies in both countries. When concluded, the MRAs will eliminate duplicative testing, leading to faster time-to-market for the products, and are expected to bring benefits in the form of reduced business costs. With the shorter lifespan of consumer electronics products these days, such MRAs will also be especially relevant to enhance the marketability of the products.

26. In the area of sanitary and phytosanitary measures, Singapore and China also agreed to cooperate in accordance with the WTO principle of regionalization. This means that in the event of pest or disease outbreak in the other country, both sides will explore re-opening imports from areas which have not been affected by the outbreak, subject to the condition that all necessary sanitary and phytosanitary requirements are met.

Investment

27. Singapore and China agreed to incorporate the provisions of the Agreement on Investment of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China, once concluded, into CSFTA. Both sides also agreed to, upon request of either party, hold consultations with a view to encouraging bilateral investment flows.

Economic Cooperation

28. Singapore and China currently enjoy strong economic cooperation in wide-ranging areas. Under the Agreement, both sides agreed to strengthen bilateral cooperation as well as explore new areas of collaboration. The key areas of cooperation include trade and investment promotion, Singapore's participation in China's regional development, tourism cooperation, human resource development and facilitation of the "Go Global" efforts of Chinese companies.

- a. Trade and Investment Promotion: Given the strong economic relations between Singapore and China, both countries agreed to encourage and facilitate activities that can further boost bilateral trade and investment. They include for example, promoting greater policy dialogue and consultation, jointly identifying priority areas with strong cooperation potential based on our economic complementarities as well as supporting greater exchanges between our respective business communities. Both sides will leverage on existing bilateral platforms such as the Singapore-China Investment Promotion Committee as well as the provincial-level bilateral business councils to promote these objectives.
- b. Participation in China's Regional Development: Singapore and China agreed to enhance our cooperation with regard to Singapore's participation in China's regional development. A key platform for both sides to further promote such initiatives are the provincial business councils in Shandong, Zhejiang, Sichuan, Liaoning, Tianjin and Jiangsu. We will also encourage our business chambers to participate in China's regional trade fairs to explore the growing opportunities in the emerging regions in the country.
- c. Tourism Cooperation: Singapore and China agreed to strengthen our tourism co-operation, in particular, to increase educational tourism and student exchanges. Both sides will also explore ways and initiatives to introduce greater convenience to travellers.
- d. Human Resource Development: Singapore and China agreed to strengthen and explore new ways of co-operation in this area. They include increasing exchanges so as to allow officials to learn about the developments taking place in each other's countries and the evolving best practices; expanding the forms and fields of exchanges to take into account each other's evolving needs; and exploring co-operation in jointly extending technical assistance to third countries.
- e. Facilitating the "Go Global" Efforts of Chinese companies: Singapore and China agreed to enhance cooperation in this area. Both sides will explore more ways to facilitate business exchanges and promote awareness amongst Chinese companies on the advantages of using Singapore as an effective internationalization platform.

Dispute Settlement

29. In any international agreement, while we do not expect nor hope for disputes between the Parties as to what the agreement means, it would nevertheless be prudent to prepare for such an eventuality. In view of this, Singapore and China have negotiated a comprehensive set of dispute settlement procedures to ensure that in the event of a dispute, a predictable and effective framework is in place to resolve the issue as quickly as possible.

For further information on concluded FTAs or FTAs in general, please refer to the FTA website, <http://www.fta.gov.sg> or email mti_fta@mti.gov.sg