

**UNICE preliminary comments on the Singapore initiative
for an EU-Singapore Free-Trade Area**

1. General Remarks

To improve market access for European companies and ensure non-discriminatory treatment for them in third-country markets, the priority for UNICE remains the multilateral approach in the framework of WTO. However, UNICE believes that bilateral/regional initiatives, if in line with WTO rules, are complementary to the multilateral process. They could be pursued simultaneously as long as they:

- reinforce the establishment of global multilateral rules for the conduct of trade and investment;
- facilitate the negotiating process and the successful conclusion of the Doha Development Agenda by January 2005;
- are of real economic added value for the EU;
- form part of an EU-coherent global FTA strategy.

Against this background, European business is in principle in favour of an EU-Singapore Free-Trade Agreement (EUSFTA), which would be WTO+, namely that it would ensure broader liberalisation of trade in goods and services and an improvement of business conditions, including investment, than what could be accomplished in the WTO framework. Any proposal for an EUSFTA should be supported by a written report assessing its conformity with WTO article XXIV criteria. In any case, the expected results should be significant for the EU so as to justify the resources devoted to these negotiations and not be detrimental to the WTO process and relations with other EU trading partners. The quality of this FTA should be such that it could stand as a model for possible other bilateral trade agreements.

As UNICE believes that the arguments to justify any proposed EUSFTA should be economic and not solely political, the economic opportunity costs and benefits of such an agreement, together with its macro-economic impact and effects on ASEAN and the region should be fully analysed. The specific case of the Indonesian islands of Batam and Bintan and other special economic zones, which are used as business centres by Singaporean companies, should be fully addressed.

Although Singapore is a small market, its high income per capita with a high demand for foreign goods and services makes it an interesting destination for EU exports. The main interest for European business in an EUSFTA is, however, the importance of Singapore as a business hub in South East Asia, from where many companies lead and conduct their regional operations. The proposed FTA should be seen as a strategic step towards improving market access in the region, and in particular in ASEAN. Opportunities for European companies are particularly attractive in the field of services. An EUSFTA could also be a very positive sign to reinforce EU relations with such a dynamic region, and notably with ASEAN, which is an important partner for the EU. In addition, an FTA with Singapore would promote know-how transfers and bilateral cooperation, notably in the information technology, finance and distribution sectors, thus helping to strengthen and expand trade and investment flows.

Singapore has concluded or is negotiating free-trade agreements with Japan, New Zealand, EFTA, the United States, Mexico, Canada and Australia. Thus, another advantage of an EUSFTA would be to ensure business conditions for European companies which would be at least as good as those enjoyed by their main competitors from those countries.

2. Coverage

An EUSFTA should be comprehensive. Its coverage should go beyond the standard areas of liberalisation of trade in goods and services to incorporate the entire economy, including notably rules on investment, protection of intellectual property rights, regulatory cooperation including standards and conformity assessment and mutual recognition, e-commerce and customs co-operation.

?? Industrial goods

A possible EUSFTA should ensure that free trade in all goods would be achieved through gradual reduction of remaining tariffs and elimination of non-tariff barriers. This should take place as rapidly as possible and at a more rapid pace than within the WTO.

Particular attention should be paid to rules of origin to reflect integrated production systems while providing for effective prevention of import circumvention. A specific study covering these aspects should be carried out.

An FTA should also address customs cooperation and the simplification of customs procedures, in particular through information exchanges on customs systems, standardisation of related documentation, and ensuring transparency, efficiency and accountability with regard to customs procedures. Adequate customs procedures and trade facilitation measures would reduce compliance costs and increase the benefits of the elimination of trade barriers.

?? Services

The main offensive interest for the EU, and a prerequisite for starting the FTA negotiations, would be liberalisation in the services sector, which by international standards is still quite protected in Singapore. A bilateral agreement, providing for substantial liberalisation could trigger further progress in the liberalisation of services in the region, and in the GATS negotiations.

Concretely, the negotiations should cover all services but in particular:

- removal of current Singaporean restrictions in the financial services sector;
- opening of foreign ownership in mobile telephony services;
- removal of current Singaporean restrictions in the IT services sector;
- coverage of the audiovisual sector to allow TV satellite receivers in Singapore;
- broad commitments regarding the movement of key business personnel. They should ensure that European companies could appoint non-nationals to carry out their jobs in Singapore.

A top-down approach, whereby all services are automatically liberalised unless specifically provided otherwise, should be investigated.

?? **Investment**

Such an agreement should provide strong protection to EU investment, guaranteeing free access to markets, national treatment, greater transparency and full pre- and post-investment protection of investments, including free transfer of all investment-related capital flows. EU companies must be entitled to operate in a manner that will enable them to compete effectively in Singapore. They should receive at least the same treatment as investors from other countries that have concluded FTAs with Singapore.

To facilitate investment, Singapore should work on the simplification and speeding-up of tax procedures, deregulation of financial transactions, as well as easing regulations on the ownership of real estate by foreign companies.

Provisions regarding the movement of key business people, which would go beyond existing Singaporean GATS commitments and provide for prompt permission for temporary entry, stay or employment of the investors or key personnel necessary to the investment-related operations, should also be developed.

An effective mechanism for dispute settlement, also covering investor-to-state disputes, would be a basic requirement of any agreement to protect the interests of all the parties concerned.

?? **Intellectual property**

An EU-Singapore FTA should:

- provide effective enforcement of the TRIPS agreement and WIPO treaties, *inter alia* through the review of the Singapore patent system.
- strengthen co-operation regarding the protection of copyright, trademarks, industrial designs, and patents, to stop IPR violations in relation to products transhipped through Singapore.

?? **Standards, certification / Mutual recognition agreement**

The EU and Singapore should work together on the harmonisation of technical regulations and standards, improving participation in international standardisation organisations, with the objective of adopting common standards which avoid creating technical barriers to trade.

The EUSFTA Agreement should contribute to the establishment and enforcement of Mutual Recognition Agreements (MRAs), with a view to reciprocal acceptance of results of conformity assessment.

3. Conclusion

UNICE looks forward to pursuing dialogue with the European Institutions, the Singaporean Government and other interested parties on this issue. It may review, and/or complement these preliminary comments as the debate develops.
