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European Union-Singapore Free Trade Agreement – 2019 Ratification and Opportunities

Introduction

The European Union-Singapore Free Trade Agreement (“**EUSFTA**”), which is the first free trade agreement between the European Union (“**EU**”) and an ASEAN country, has been in the making for a decade. Negotiations between Singapore and the EU on the EUSFTA were launched in 2009. On 19 October 2018, the EUSFTA was signed. The EUSFTA is anticipated to be ratified in 2019.

With the EU Parliament’s approval of the EUSFTA on 13 February 2019 and its impending ratification, we see the volume of trading opportunities between the EU and Singapore increasing due to tariff elimination and reduced non-tariff barriers. We encourage businesses to take advantage of untapped opportunities by preparing ahead and positioning themselves well before the EUSFTA comes into effect.

Amongst other things, this Update highlights the impact of the EUSFTA on your exports to the EU.

Impact of the EUSFTA on Your Exports to the EU

Tariff elimination

The EUSFTA provides for the progressive elimination of tariffs on all qualifying products over a period of five years. Upon the EUSFTA coming into force, 84% of Singapore exports are expected to benefit and will enter the EU tariff-free. These exports are Asian food products, electronics, pharmaceuticals, petrochemicals and processed agricultural products. By the end of five years, tariffs for the remaining products such as selected meat and seafood produce, fruits, textiles and consumer goods will be removed and all tariffs will be fully eliminated.

Liberal and flexible rules of origin

The EUSFTA will provide for liberal and flexible rules of origin (“**ROO**”) in respect of key exports of Singapore. These include automobiles, chemicals, clothing and textiles, electronics, machinery, petrochemicals and pharmaceuticals.

Products that originate from Singapore will be able to enter the EU tariff-free, subject to certain conditions. Amongst other things, these products must have been produced or undergone sufficient processing in Singapore, and transported directly from Singapore to the EU. In this regard, the EUSFTA

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will incorporate the concept of 'ASEAN cumulation' for Singapore's key exports. This means that even if manufacturers incorporate raw materials or parts sourced from ASEAN Member States, the final products would still be treated as domestic content from Singapore, which qualifies them for preferential tariff treatments.

All these point to new opportunities that Singapore businesses can tap on by relooking and adapting its supply chain to take advantage of the new liberal and flexible ROO. More importantly, this presents opportunities for greater regional cooperation and partnership amongst corporations for wider growth.

Reduced non-tariff barriers

The EUSFTA also aims to reduce and prevent barriers to trade between the EU and Singapore. The proposed measures will apply to sectors such as electronics, motor vehicles and vehicle parts, and pharmaceuticals and medical devices.

For example, for consumer electronics and telecommunication products, Singapore and the EU will base their regulatory requirements on the same standards. The standards used will be those set by the International Organisation for Standards, International Electrotechnical Commission and International Telecommunication Union. This will reduce duplicative testing and result in a shortened time to market. For motor vehicles and car parts, both the EU and Singapore have committed to refrain from introducing new domestic regulatory measures that diverge from international standards. For pharmaceuticals and medical devices, the EU will recognise Singapore's standards of "Good Manufacturing Practices" that are used in the manufacture of active pharmaceutical ingredients.

The measures, which reduce duplicate testing and certification procedures, will reduce operational costs of Singapore exporters exporting goods to the EU (and vice versa). More so than an outright reduction in tariffs, such ease in non-tariff barriers present greater opportunities also through saved time. Businesses can only benefit.

Highlight – Food Manufacturing Sector

The EUSFTA promises exciting opportunities for businesses in Singapore. The food manufacturing sector is one sector that will stand to benefit. Significantly, the EUSFTA is the **first** bilateral FTA with enhanced market access for Asian food products made in Singapore, which can enter the EU tariff-free under flexible ROO, subject to a combined quota of 1,250 tonnes annually. Such Asian food products include dried Chinese sausages, chicken and pork floss, samosa, canned luncheon meat, Chinese meat dumplings, etc. Manufacturers of processed food products will only need to show that they were made in Singapore and there will be no need for the ingredients used to be grown or produced in Singapore.

Based on statistics by the Pew Research Center, the Muslim population in the EU has been steadily growing. This is hence a market with immense potential. Singapore food manufacturers can tap that market by looking to supply halal food products to Europe and do so at a lower cost.

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Our Comments

The EUSFTA potentially opens, and for businesses already in the EU, broadens available opportunities. It will be businesses that are first to take their products to (the EU) market that have the most advantage in entrenching their respective footholds in the product. Should you have any questions or wish to discuss any of the above, please feel free to contact our team below.

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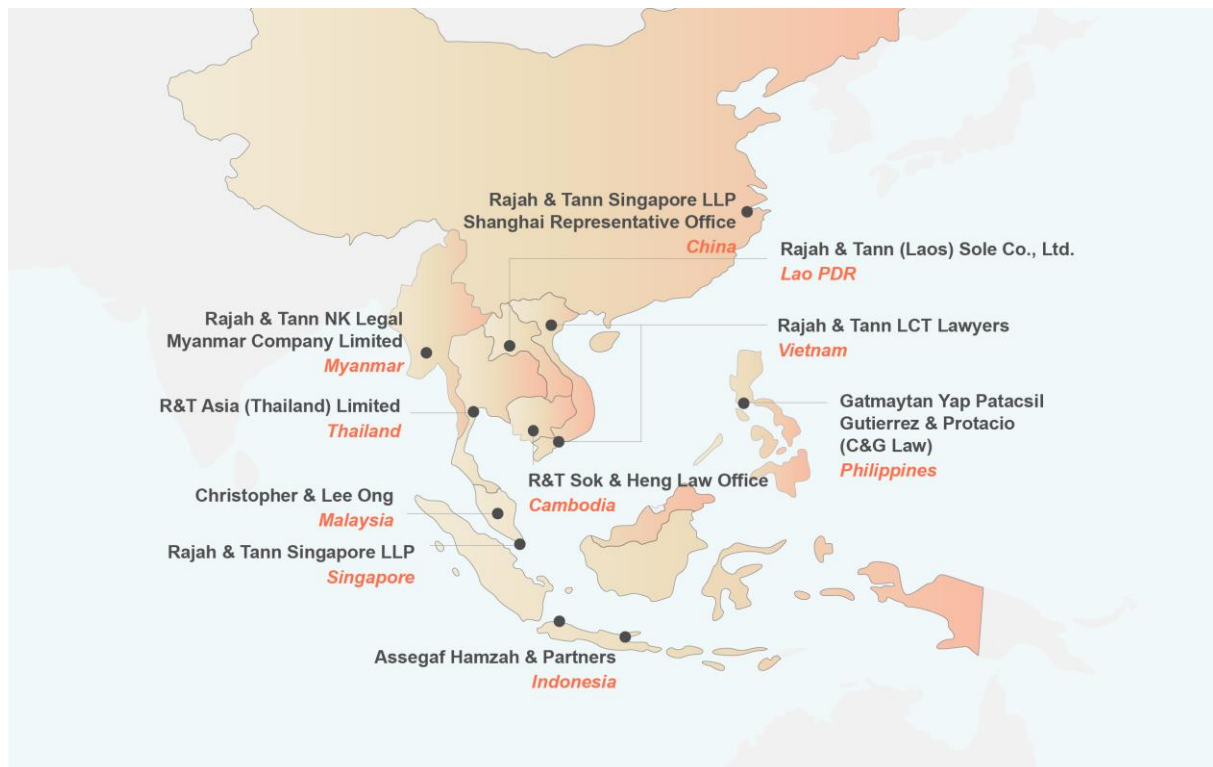
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