SICC Singapore International Chamber of Commerce
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Plain English Guide to the European Union-Singapore Free Trade Agreement

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Written for the Chamber by experts from

ASIAN TRADE CENTRE

EU-Singapore FTA

Firms of all sizes are currently experiencing unprecedented pressures as a result of COVID-19, the ongoing US-China trade war, an inability of global institutions to respond to new situations, and even climate change. As global trade undergoes a sudden, sharp contraction, firms need to figure out how to find new sources of competitiveness.

One readily available tool is a range of free trade agreements (FTAs), which provide greater certainty and lowered risk for companies. Firms that successfully harness FTAs gain improved access into partner markets, lower costs, or both. Companies that manage to use FTAs well are more likely to get ahead than firms that either miss out on these opportunities or are unable to utilize various FTA preferences because they do not apply.

This booklet examines one such arrangement, the EU-Singapore FTA (EUSFTA), which came into force on November 21, 2019[1]. EUSFTA applies to trade and investment flows between the EU and Singapore.

What Does EUSFTA Mean for Singapore-Based Companies?

The EUSFTA is a comprehensive trade agreement. This means it deals with most aspects of trade and investment flows of concern to companies, including trade in goods, services, and investment. It has specific pledges on intellectual property rights, government procurement, competition, and starts to create some common rules or standards and testing regimes for food products and other goods.

Given Singapore's largely open economy with zero tariffs in place for nearly all goods and relatively limited market access challenges for services and investment, the biggest benefits from EUSFTA may be found in new access Singapore-based firms received into the EU. Europe, in contrast to Singapore, is generally less economically open, particularly in some sectors like agricultural goods. The EUSFTA provides new market access for Singapore companies.

[1] *Technically, the EU and Singapore negotiated two separate legal agreements, one on trade and one on investment. This booklet discusses both. For the legal texts for both, see http://trade.ec.europa.eu/doclib/press/index.cfm?id=961*

When Does EUSFTA Start?

It has already begun. The rulebook started on November 21, 2019, services and investment commitments are already in force. Many tariffs have begun to fall into the EU, although most included tariff lines will not reach zero until 2023 or 2025.

What Does EUSFTA Do?

There are two important benefits that all firms in the EU, Singapore and ASEAN receive from EUSFTA: the agreement was always designed as a model or template for all subsequent EU trade deals; and the agreement helps reduce uncertainty as it can prevent sudden rule or regulatory changes that run contrary to the agreement.

The EU has completed another FTA with Vietnam which is now due to take effect in August 2020[2]. Agreements with other ASEAN member countries like Indonesia are in the pipeline. All are similarly comprehensive in scope and coverage to the EUSFTA.

Given the rapid changes in the global and regional economy since the start of 2020, locking existing rules into place and clearly specifying when and how governments must proceed with any allowable changes is especially important for companies. As an example, if EUSFTA drops tariffs on goods for parties, these commitments cannot be easily broken. Governments cannot, except in very limited and clearly defined ways, suddenly raise tariffs on scheduled products or impose new restrictions on the delivery of services.

In addition, the agreement provides new market access for many kinds of goods, services, and investments. The specific areas where firms are most likely to see new opportunities are outlined further below. In some cases, the economic benefits can be substantial. For example, for some products the EU is dropping tariffs from 10% or more to zero and removing significant complexity from existing rules. Scheduled services should benefit from clarity around the delivery of services and improved access in areas like professional or business services and telecommunications.

The EUSFTA trade agreement includes 16 chapters (and an additional 4 chapters in the EUSIPA on investment). This booklet does not describe all of the elements in the agreements, but is focused on those aspects most relevant for companies.

[2] *For more details on EVFTA, please see the SICC companion booklet.*

What Hasn't Changed?

The EUSFTA, as noted further below, contains a wide range of commitments. But the agreement is not completely comprehensive. For tariffs, to take the easiest example, many categories of items have no new benefits under EUSFTA. Sectors were not included at all. If there are no specific commitments in the EUSFTA for particular products, firms will continue to trade between the EU and Singapore using existing tariff levels available to all companies.

Many areas of services and investment were also not included in the agreement. If the services sector or subsector is not included, as with tariffs on goods, EU and Singaporean firms will not receive any additional benefits beyond those granted to all other 162 World Trade Organization (WTO) member firms.

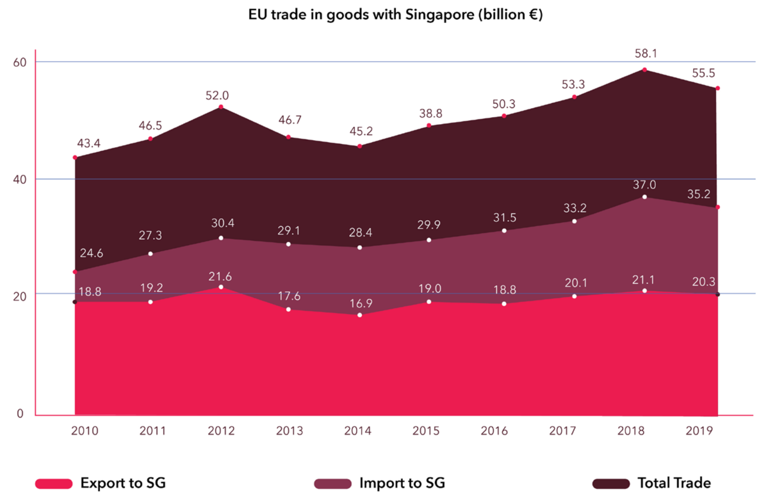
Why weren't many of these tariff lines or services sectors included for new benefits under EUSFTA? In large part it is likely because no business asked for inclusion, especially for goods and services moving from Singapore into the EU. Absent clear requests from the business community and a compelling case for adding items to the negotiating agenda, items can be excluded[3]. This makes it especially important that companies engage in ongoing discussions with trade officials—individually or through trade associations—to ensure that they have the latest information available when working with partner countries on new or improved FTA benefits.

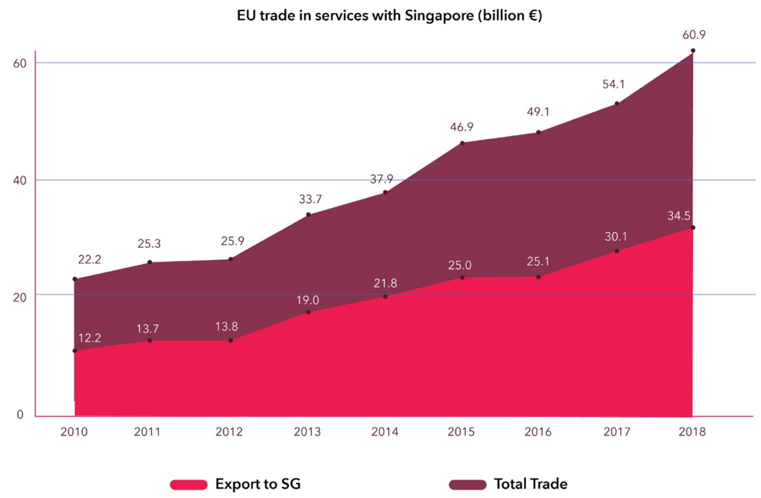
The agreement, like most FTAs, does not write or adjust many existing standards for products for food safety or electrical appliance testing or other categories of goods.

EUSFTA, as every FTA, only works for goods, services and investment moving between the members—the European Union and Singapore. It is not possible to "hopscotch" or stitch together different trade agreements and use, as an example, EUSFTA to move goods from Germany to Singapore and then, without change, use Singapore's agreement with China to get German products into China with Singapore's FTA.

[3]This is especially true if the other party has what are called "sensitivities" in opening a particular sector or product category. Absent a request to do so, the default is often to leave items closed for new business.

Statistics: EU Trade with Singapore





Given the size and scale of the European market, EUSFTA provides an important new avenue for breaking into the 27 member economies with better access than non-FTA partners[4].

Trade in goods between the EU and Asia has been relatively stable over the years with total trade with Asia at € 1638.9 billion in 2019. EU exports to ASEAN has been comparatively smaller at 4.8% (€ 96.9 billion) of EU's exports to the world. Imports from ASEAN is 7% (€ 143.4 billion) of EU's imports from the world.

Among ASEAN members, Singapore is the EU's largest trading partner in both goods and services. EU trade in goods with Singapore amounts to €55.5 billion in 2019 and trade in services totalled €60.9 billion. While there are fluctuations in goods trade, trade in services looked promising with continuous increase in trade volume from 2010 – 2018.

[4]Assuming the UK leaves the EU, as scheduled, at the end of 2020, there will be 27 members in the European Union including: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

EU trade in goods with Singapore

The EU mainly exports motor vehicles and parts, medicaments, machinery and parts to the world. Top exports in 6-digit HS classification from the EU to Singapore are turbines, airplanes, oils, cosmetics and skincare products. A significant share of Singapore's imports for the aviation industry comes from the EU. Singapore is the second biggest importer of airplane turbines in the world in 2019 and imports of turbines from the EU was approximately 28% of its global imports. More than half of the product volume of airplanes imported into Singapore also originated from the EU.

Top 15 EU exports to Singapore in 2019[5]

HS Code	Description	Trade Value (US$)
841191	Turbines; parts of turbo-jets and turbo-propellers	3,047,993,128
880240	Aeroplanes and other aircraft; of an unladen weight exceeding 15,000kg	2,490,758,685
270799	Oils and other products of the distillation of high temperature coal tar; n.e.c. in heading no. 2707	1,304,776,893
330499	Cosmetic and toilet preparations; n.e.c. in heading no. 3304, for the care of the skin (excluding medicaments, including sunscreen or sun tan preparations)	1,128,491,272
999999	Commodities not specified according to kind	785,687,841
271019	Petroleum oils and oils from bituminous minerals, preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	688,083,941
854231	Electronic integrated circuits; processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	653,479,451
220820	Spirits obtained by distilling grape wine or grape marc	625,821,383
854239	Electronic integrated circuits; n.e.c. in heading no. 8542	605,942,155
300490	Medicaments; consisting of mixed or unmixed products n.e.c. in heading no. 3004, for therapeutic or prophylactic uses	519,645,958
300190	Glands and other organs; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses	484,839,017
870323	Vehicles; with only spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1500 but not over 3000cc	444,028,800
841112	Turbo-jets; of a thrust exceeding 25kN	441,214,073
220830	Whiskies	424,100,601
330300	Perfumes and toilet waters	421,551,290

**Data from UN Comtrade*

[5]*This chart uses the tariff classification descriptions submitted to UN Comtrade. The acronym "n.e.c." means "not elsewhere classified." Do note that beyond the 6 digit tariff heading shown here, countries are free to classify products differently. This means that firms need to ensure that they are using the correct tariff line for their products when shipping to new markets.*

The categories food, drinks and tobacco, manufactured goods and machinery exhibited high export growth in the past three years. Amongst the categories identified, machinery and transport equipment showed the highest growth year-on-year at 24.6% in 2018 but export volume in 2019 dipped from previous year. Chemicals also had a high year-on-year growth at 17.4% in 2018. Exports of mineral fuels, lubricants and related products is the most volatile with a sharp drop in export volume to Singapore in 2019.

EU exports to Singapore (million €)	2014	2015	2016	2017	2018	2019
Food, drinks and tobacco	1,451.0	1,489.5	1,494.7	1,592.7	1,734.3	1,763.8
Raw materials	165.0	219.3	226.3	244.0	268.1	264.6
Mineral fuels, lubricants and related materials	2,310.1	2,494.5	3,160.1	4,093.2	3,809.8	1,803.9
Chemicals and related products	3,453.1	3,685.5	3,764.1	4,016.8	4,717.5	4,894.3
Other manufactured goods	4,172.9	4,254.0	4,548.8	4,792.9	5,160.6	5,391.5
Machinery and transport equipment	9,067.9	9,100.5	9,957.5	10,385.8	12,943.7	12,091.1

**Data from Eurostats*

Top global exports for Singapore are electronic integrated circuits, machinery, mineral fuels and optical and medical apparatus. Similar to the EU, Singapore exports capital intensive goods. Top exports in 6-digit HS classification to the EU from Singapore are medicaments, chemicals (amino acids), turbo-jets, refined petroleum oils and vaccines. In fact, Singapore is the top exporter for amino-acids (HS 292249) and exports to the EU contributed 74.3% to its share of global exports. Singapore is also the second biggest exporter of heparin (HS 300190) after China and exports to the EU contributed close to 91% of its global exports, making EU its biggest market.

Note that the EU has made a recent rule change that requires that all firms have an EU economic operator for handling goods. The Market Surveillance Regulation requires such an individual of record to ensure paperwork is in order and that EU authorities can contact a locally present individual in situations of potential risk. An EU operator can be: the manufacturer of the goods; the importer (if the manufacturer is not established in the EU); an authorized representative; or a fulfilment service provider, if none of the above are established in the EU.*

** New EU Regulation on Market Surveillance and Product Compliance Published, Steptoe and Johnson LLP, June 28, 2019, https://www.lexology.com/library/detail.aspx?g=44713a72-3897-4480-86dc-05d57d07563c.*

Top 15 Singapore exports to the EU in 2019

HS Code	Description	Trade Value (US$)
300490	Medicaments; consisting of mixed or unmixed products	2,662,843,737
292249	Amino-acids, other than those containing more than one kind of oxygen function, their esters; salts thereof	1,643,291,519
841112	Turbo-jets; of a thrust exceeding 25kN	1,512,849,628
271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, crude and waste oils	1,467,872,186
300215	Blood, human or animal, antisera, other blood fractions and immunological products; immunological products	787,282,259
300190	Glands and other organs; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses	612,221,542
710813	Gold, semi-manufactured	533,911,410
854239	Electronic integrated circuits	518,352,145
293359	Heterocyclic compounds; containing a pyrimidine ring	482,678,980
841191	Turbines; parts of turbo-jets and turbo-propellers	459,007,401
190190	Food preparations; of flour, meal, starch, malt extract or milk products	378,248,207
293379	Heterocyclic compounds; lactams	338,362,998
293590	Sulphonamides	296,686,810
902139	Artificial parts of the body; excluding artificial joints	295,150,718
321590	Ink; writing, drawing and other inks	286,933,812

**Data from UN Comtrade*

Although trade volume is low, the category food, drinks and tobacco showed significant growth, achieving a 27.9% growth year-on-year in 2019. Other categories with export potential to the EU are mineral fuels and machinery.

EU imports from Singapore (million €)	2014	2015	2016	2017	2018	2019
Food, drinks and tobacco	59.7	1,489.5	1,494.7	1,592.7	1,734.3	1,763.8
Raw materials	137.2	219.3	226.3	244.0	268.1	264.6
Mineral fuels, lubricants and related materials	600.5	2,494.5	3,160.1	4,093.2	3,809.8	1,803.9
Chemicals and related products	4,969.3	3,685.5	3,764.1	4,016.8	4,717.5	4,894.3
Other manufactured goods	1,810.6	4,254.0	4,548.8	4,792.9	5,160.6	5,391.5
Machinery and transport equipment	4,703.7	9,100.5	9,957.5	10,385.8	12,943.7	12,091.1

**Data from Eurostats*

EU trade in services with Singapore

EU services exports to Singapore (million €)

Services	**2016**	**2017**	**2018**
Manufacturing services on physical inputs owned by others	240.8	384.6	503.3
Maintenance and repair services n.i.e.[6]	265.8	292.1	298.5
Transport	5,157.4	6,366.1	7,488.1
Travel	1,026.5	872.5	897.2
Construction	173.2	110.3	128.1
Insurance and pension services	470.2	448.6	473.6
Financial services	2,128.6	2,130.9	2,348.8
Telecommunications, computer, and information services	1,973.8	2,320.2	2,690.4
Other business services	5,784.3	7,056.3	7,603.9
Personal, cultural, and recreational services	73.7	75.3	92.3
Government goods and services n.i.e.	20.2	15.1	21.4

**Data from Eurostats*

EU exports in services to Singapore have risen over the years with the exception in travel and construction. The bulk of trade in services are concentrated in transport and business services. Telecommunications, computer, and information services and manufacturing services also showed considerable growth.

EU services exports to Singapore (million €)

Services	**2016**	**2017**	**2018**
Manufacturing services on physical inputs owned by others	103.5	125.5	221.7
Maintenance and repair services n.i.e.	215.1	219.9	341.9
Transport	4,869.1	5,719.4	6,411.9
Travel	619.9	663.6	587.4
Construction	87.5	56.4	152.7
Insurance and pension services	99.7	76.9	80.4
Financial services	4,049.8	4,177.4	4,863.0
Telecommunications, computer, and information services	812.9	932.8	1,078.7
Other business services	7,159.4	7,520.3	7,615.7
Personal, cultural, and recreational services	60.3	44.9	50.5
Government goods and services n.i.e.	38.2	57.0	43.1

**Data from Eurostats*

EU services imports from Singapore have experienced steady growth from 2016 to 2018 with the exceptions in insurance, personal, cultural, and recreational services and government goods and services. As a global logistics hub, transport made up the largest component of Singapore's services exports. Apart from transport and business services, a large and growing sector is financial services. Singapore's total exports in services was $279.4 billion in 2019 and financial services made up $40.1 billion or 14.4% of services exports.

[6] *The acronym "n.i.e." means "not included elsewhere."*

EUSFTA In Detail

Tortured Pathway and Uneven Benefits

The original intention of the EU had been to work on an agreement between the EU and all ten member states of the Association of Southeast Asian Nations (ASEAN). When that path looked too complicated, the EU switched to working on bilateral talks with various ASEAN members, building towards an eventual bloc-to-bloc deal. Singapore went first, with negotiations between the two sides underway in 2010.

The majority of negotiations were concluded in late 2014, but internal issues in the EU delayed the passage of the final agreements until 2019.

Why does this history matter to firms? The EUSFTA should be seen as a stepping stone to a much larger, more economically meaningful agreement. Another, more recent EU agreement with Vietnam (due to enter into force in August 1, 2020)[7] replicates many of the provisions in the Singapore deal, making it easier for firms in both ASEAN markets to understand and then meet the rules.

While EUSFTA may provide limited additional gains for European-based companies looking to move into Singapore's market, the overall plan of connecting up ASEAN-level agreements into an integrated whole will provide new benefits for EU firms across the region.

Side Trip: How Do Governments Tackle Trade in Goods?

Global trade is structured through the World Trade Organization (WTO), which now includes 164 member states. The WTO rules help structure trade. While small and medium sized enterprises (SMEs) may not be aware of most WTO rules, there is one particular element of the WTO that firms should recognize: Most Favored Nation (MFN) tariff rates. Every WTO member has a tariff schedule that shows the tariff rates that they use for goods at the border for every product[8].

Firms can always trade across borders using MFN tariff rates. Companies do not need to have a free trade agreement to trade goods. Firms do not need to use a free trade agreement (FTA) even if one exists. If no FTA is used, the tariff applied is automatically the MFN rate[9].

[7] EU-Vietnam is the subject of a companion booklet by the Asian Trade Centre and SICC.

[8] Without getting too technical, there are two WTO rates—a bound rate and an applied rate. The former should be viewed as the ceiling, as members have promised not to go above this tariff level for the product. The latter is the tariff or duty rate actually used at the border. The gap between them is called "water."

[9] Firms can find out the MFN rates from either the WTO website (https://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm), from the customs websites for the destination country, or ask the freight forwarder, customs broker, or shipping firm to assist.

Side Trip: How Do Governments Tackle Trade in Goods?

Tariffs are not a tax, although it may feel like a tax to companies. Tariffs are revenue collected by customs at the border on goods. Not all goods are subject to tariffs. Many enter markets without tariffs at all, under what are called "duty-free" terms.

Products are classified using what are called the Harmonized System of Codes (HS Codes). Every good is given a specific number by the World Customs Organization (WCO). The HS classification scheme is updated every five years (although most categories remain unchanged). The most recent update took place in 2017[10].

Goods are divided into 99 broad "chapters" or categories at the 2 digit level. As an example, Chapter 20 includes preparations of fruit, vegetables, nuts, etc. Breaking this down further, at the four digit "heading" level, HS20.09 includes fruit juices and vegetable juices, not fortified with vitamins and minerals. The classification gets more specific as more digits are added. Orange juice, other than frozen, appears at the six digit or subheading level, HS20.19.09.

Chart: The Classification of Orange Juice

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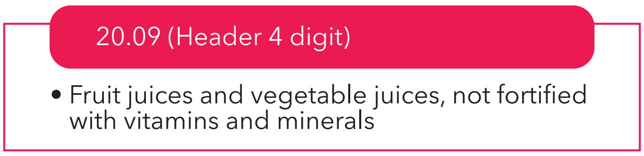
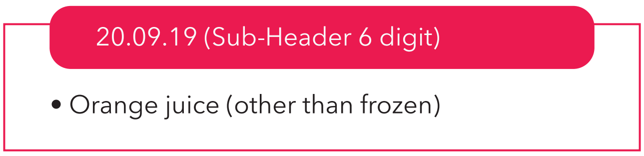


Chart: The Classification of Orange Juice



Countries can continue to divide products into more HS codes with more digits—as many as 12. Anything beyond 6 digits, however, is called "domestic headings" and are no longer harmonized or consistent across all WCO members.

What this means for firms is that frozen orange juice at the 8 digit level (such as HS20.19.09.01) in one market may have a slightly different 8 digit HS code in a different market. Firms need to be careful and ensure that the HS code classification for their products match in the export and home markets. Customs officials can assist with classification questions.

[10] *Firms can find out the MFN rates from either the WTO website (https://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm), from the customs websites for the destination country, or ask the freight forwarder, customs broker, or shipping firm to assist.*

The Benefits: Trade in Goods

Singapore's economy is very open, particularly for goods trade with zero tariffs for nearly every single item. Hence, EUSFTA provides limited new market access for goods to European companies interested in Singapore.[11]

The reverse is not true—Singapore-based firms have unprecedented new market access opportunities into the EU as a result of EUSFTA.

Tariffs on products from Singapore into the EU will be reduced, with 84% of Singapore's export categories receiving duty-free access in the first year, 90% of all goods included in this zero tariff category by the end of 2022, and all scheduled goods becoming duty-free by 2025.[12]

Like every FTA, not every product that gets sent from Singapore will automatically receive lower tariffs. Only qualifying items are eligible for tariff cuts and only when firms request FTA treatment. Not every tariff line is included for reductions. Firms need to examine the EU's tariff commitments (Appendix 2-A-1 found in the text here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A1114(01)&from=EN#page=657) to ensure that their particular items of interest are listed. Any tariff line not listed will not receive any additional benefits from EUSFTA. Tariffs remain at MFN levels.

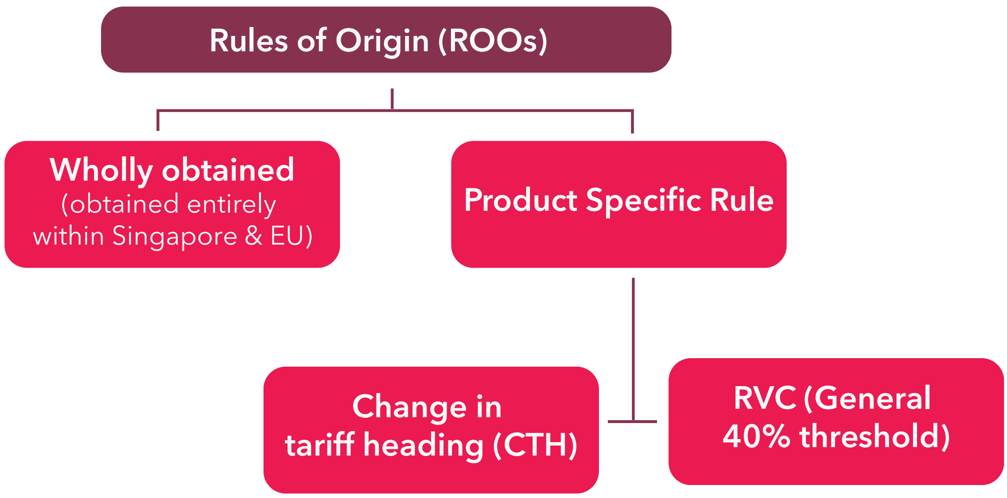
[11] Other than beer, stout and samsu (a type of alcohol), which have new duty-free access from the EU to Singapore. The EUSFTA does, however, prevent Singapore from raising its current applied tariffs of 0 to higher levels at some point in the future.
[12] Figures drawn from European Commission and MTI document, http://trade.ec.europa.eu/doclib/docs/2019/february/tradoc_157684.pdf Note that the EUSFTA does not drop tariffs on 84% of all goods to zero in the first year—only in the categories of goods exported from Singapore to the EU in 2012. Generally, goods into the EU from Singapore are either falling in four equal installments or in six equal installments to become duty-free by the end of 2025.

Rules of Origin

Firms that want to take advantage of lower tariffs have to follow the specific rules of origin (ROO) that match each and every product. These product-specific ROOs are designed to ensure that products from outside the EU and Singapore cannot "sneak into" the arrangement and get lower tariffs. The point of an FTA is to give competitor benefits to partners that non-members cannot access.

In general, ROOs fit into two broad categories: 1) items that are "wholly obtained" or 100% from the EU or Singapore, such as many agricultural products, forestry items, fish from domestic waters and the like; and 2) items that have been "substantially transformed."

Substantial transformation has specific rules for each product, but in general, firms cannot break bulk shipments, repackage items, engage in simple assembly and so forth. Companies need to consult the ROO chapter (Protocol 1) carefully to determine the exact rules required to match lower tariffs for each HS Code. ROOs are not the same thing as the stamp on the box "made in Singapore" or the tag on the shirt "made in France." The specific criteria needed for each product to be eligible for lower tariff rates on offer is outlined in Protocol 1.



Singapore-based firms comfortable with ASEAN ROOs will need to be extra careful, as EU ROOs can be different. While many products include regional value content (RVC) rules like ASEAN agreements, EUSFTA also allows many items to qualify through change in tariff heading (CTH) rules.

The general threshold for RVC for many products is 40%, which will feel familiar to many companies used to working within ASEAN agreements. Note that the 40% includes content from Singapore and the EU. It does not allow firms to include other ASEAN content in the 40% figure. The RVC threshold is not always set at 40%, so firms need to confirm the EUSFTA rules for their specific products.

Note that there is also a specific list of goods (Annex D in Protocol 1) that allows Singaporean firms to include broader ASEAN content into the RVC calculation thresholds and still qualify for EUSFTA benefits.[13] This list covers some chemical items, some manufactured items like conveyor belts and electrical transformers, microphones, cameras and microscopes. [14]

Every FTAs may have very different ROOs, so firms must check their specific products to ensure that the right rules are met in each FTA agreement before claiming benefits.

While the EU has granted lower tariffs on a wide range of agricultural products, it is important to note that many items remain subject to what are called tariff-rate quotas (TRQs). These are quantitative limits on the total amount of products that can be sent under preferential rates.
Not every tariff line is included in the schedules either. For items that are "missing" from the EUSFTA tariff lists, it means that these products will not receive any new benefits in the form of tariff rate reductions under the agreement. As an example, the EU has made no commitments for HS Chapter 9 products, including tea and coffee. Hence, Singaporean tea exporters will continue to pay the same MFN rates as before EUSFTA started when exporting to the EU.

Singapore exporters may find that many of the most exported product lines are not included in EUSFTA, meaning that firms will have to get more creative than usual to derive benefits from the items that have been newly liberalized.

Singaporean food producers did obtain additional specific access for certain types of foods, including dim sums, pastries like samosas, and canned luncheon meats. The TRQ is combined across all Singaporean food products and limited to 1250 tons per year.

[13] *See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A1114(01)&from=EN#page=657*

[14] *Once EU-Vietnam comes into force, firms working with squid, cuttlefish and octopus can include content from Singapore, Vietnam and the EU. See Annex 2 and 3 to Protocol 1 at https://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157381.pdf*

Using EUSFTA

In general, the greatest benefits in any trade agreements comes from the removal of the highest existing tariff rates. Typically, tariffs are higher in agricultural and food products than any other category. Singapore may not be known as a food exporter, but it does have a food manufacturing sector along with ongoing plans to expand Singapore's food production.

In 2019, Singaporean firms exported SG$18.6 billion in beverages ($5.6 billion) and live animals and food products.[15] No EU member state, however, was in the top dozen export markets for food and beverage products.

The EU has high average MFN tariff rates for food and agricultural products. Many tariffs are also extremely complicated for firms to understand, as they often combine percentage tariff rates with specific sums added by weight of the product.

Singapore-based firms will need to be a little bit patient, but once these tariffs drop to zero in 2025, the EU market will be significantly more attractive as an export destination. Between now and then, every included tariff line is also dropping by 1/6, which provides incentives to begin supplying the EU now. Some product categories drop sooner, with annual cuts of 25% to become duty-free in four years.

To see what benefits EUSFTA can provide, consider biscuits (HS1905.90.45). The EU MFN rate for these goods is: 9 + EA MAX 20.7 + AD F/M.[16] What does that mean in English? To be frank, it is complicated. The basic tariff rate for the EU for biscuits is 9%. Products may not include an "agricultural component" (or EA) of more than 20.7%. Biscuits [and other products in HS Chapters 17-19] also have an additional charge for flour (AD F/M).

Singapore biscuit producers can export their goods to the EU with a 25% reduction in this combined rate every year, ending with zero tariffs in 2023.

Given the complicated nature and relatively high rates of the EU tariff schedules, it is likely that no Singaporean biscuit company has attempted to export these products in the past. Once the category becomes duty-free, however, Singaporean firms may find the EU a newly attractive market for entry. Zero tariffs is considerably more helpful than 9 + EA MAX 20.7 + AD F/M.

However, Singapore-based firms will also need to keep a careful eye on the rules of origin (ROO) for biscuits and many other food categories, as some qualifying products have strict allowable weight limits for ingredients and sugars. As an example, biscuits may not have more than 40% wheat by weight, nor can it include dairy or sugars in excess of 40% by weight.

If agricultural trade sounds too complicated, firms might focus instead on other benefits, like tableware and kitchenware (HS6911.10). This category used to enter the EU at 12% tariffs, but the duty-rate is being cut in four installments to become tariff free in 2023.

The rule of origin for this tariff line specifies that materials can come from any chapter (except for Chapter 69) or that the total amount of materials included from outside the EU and Singapore cannot amount to more than 50% of the value of the product.

[15] *For a very nice overview of the Singapore market, see SingStats at:* https://www.singstat.gov.sg/modules/infographics/singapore-international-trade

[16] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2018:273:FULL&from=EN

Certificates of Origin

EUSFTA is a self-certifying agreement. This means that firms do not need to obtain a Certificate of Origin (CO) document to access lower tariffs. Instead, companies must include a declaration statement that meets the criteria for use by customs officials in the EU and Singapore.[17]

The specific language needed by firms for self-certification is shown in Protocol 1, Annex E. The English version is shown below:[18]

English version

The exporter of the products covered by this document (customs or competent governmental authorisation No ... ([1])) declares that, except where otherwise clearly indicated, these products are of ... ([2]) preferential origin.

Self-certification does not mean no rules apply. Firms must follow the EUSFTA ROOs and ensure that all relevant documentation is kept internally for at least three calendar years from the date of export. Customs officials can request details at any time during this window and the fines and penalties for non-compliance can be stiff.

Companies shipping goods may have an added incentive to become part of the Authorized Economic Operators (AEO) schemes in the EU and Singapore. The agreement includes a provision to work quickly towards mutual recognition of AEO status in both locations. Qualifying firms will receive faster, easier access at customs in Europe and Singapore.

Trade in Services

The EUSFTA covers trade in services, offering companies better market access and improved confidence and certainty over the rules that apply to firms delivering services between the EU and Singapore. Given the importance of services to both sides, this is an important achievement.

The services commitments in a trade agreement can be tricky to understand. Many of the challenges that companies face in delivering services in sectors like travel and tourism, construction and engineering, retail sales, education, or health are the result of specific domestic regulations. For instance, domestic level legislation may require that all lawyers must take and pass the bar exam in the local market to be certified and allowed to practice. A trade agreement, in general, does not get into details of regulations like these.

[17] *For specific details, see the Singapore Customs document for EUSFTA, especially Annex B, found at: https://www.customs.gov.sg/-/media/cus/files/circulars/corp/2019/circular-18-2019-ver-2.pdf*

[18] *The material in the footnotes are not needed in the declaration. See the Annex at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A1114(01)&from=EN#page=657*

Trade in Services

Instead, EUSFTA provides specific areas of new market access for firms in the EU and Singapore when doing services business in respective markets. The agreement targets a range of services sectors including:

- telecommunications services;
- financial services;
- computer and related services;
- transport services;
- environmental services;
- certain business services; and
- postal services.

In these areas, the EU and Singapore committed to some important changes, including removing or not imposing limits on:

- the total number of services suppliers (such as allowing only one bank branch or six ATMs);
- the value of services transactions or assets (such as only above or below a threshold);
- the number of services operations or quantity of services outputs (such as only retail transactions or not retail transactions);
- the number of persons that may be employed;
- the specific type of legal entity permitted (such as allowing only Joint Ventures); and
- foreign shareholding/equity limits (which could limit foreign shareholding to 49% or 70%).

These types of limitations and restrictions are common in many markets (and often allowed in various other FTAs). EUSFTA pledges to avoid such practices are important steps in reducing the risks and increasing certainty for services trade.
EUSFTA uses what is called a “positive list” that describes in detail which services, sectors and subsectors are included in the agreement. Any sector not specifically listed is not eligible for new benefits. As an example, the EU gave Singapore-based firms better access to the EU to provide travel agency and tour operating services but did not explicitly provide new access for hotels or food and beverage.

Two services categories may be especially relevant: pledges for professional services and business services. Under EUSFTA, firms receive benefits for:

	EU Commitments:	Singapore Commitments:
Professional Services	• architectural services • accounting • engineering and integrated engineering services • urban planning and landscape architectural services • management consulting services	• international commercial arbitration services • legal services • accounting • taxation • architectural services • integrated engineering • medical and dental services • veterinary services
Business Services	• advertising • market research • management consulting services • advisory and consulting related to manufacturing • printing and publishing • convention services • translation • design services	• advertising • market research • management consulting services • technical testing and analysis services of • automobiles • services related to manufacturing • security consultation • alarm monitoring • photographic services • convention and exhibition management services • translation services

Of course, many Singapore services companies already operate across Europe and the reverse. This includes services firms that are not included in the list of benefitting sectors. These companies, like hotels, can continue to do business between the EU and Singapore. What the FTA provides is greater certainty about the rules that will apply to covered or listed businesses, with improved transparency and fewer restrictions allowed than before. Covered firms—those operating in areas that are specifically outlined in the agreement like tour group operators—will now receive guaranteed treatment the same as local companies.

Trade agreements often come with specific commitments for the movement of people supplying services, since many different types of services require business people to deliver services in person. The EUSFTA does not have a separate chapter for these commitments, but Singapore-based services firms that want to use the agreement may want to review the EU-member specific restrictions that remain in place for covered services. As an example, while market access to landscape services are included for Singapore-based firms, several EU member states require residency in order to provide these services. For a full list of restrictions, see the Annex 8-3A for the EU. [20] As with any trade commitments, service suppliers will need to comply with all relevant immigration and visa requirements.

[20] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A1114(01)&from=EN#page=337 Singapore's schedule can be found in Chapter 8B.

Investment

The EU and Singapore have a separate agreement to address investment commitments. [21] This new document replaces the patchwork of 12 existing bilateral investment treaties (BITs) between Singapore and individual EU member states and extends coverage to all of the EU.

The key objective of the investment protection agreement is to ensure that Singapore and EU investors have clarity of treatment of their investments, including the same treatment or non-discrimination for investors going both ways. The agreement pledges both governments to avoid expropriation (or seizure of assets) except in limited, transparent conditions. Overall, the agreement provides similar investment treatment to existing BITs and FTAs.

One important element of the EUSFTA is a significantly changed system for handling disputes over investment. Typically, investors have recourse to what is called investor-state dispute settlement (ISDS) in circumstances where the foreign government has unfairly expropriated (or seized) covered investments without providing adequate compensation.

Investment protection procedures like ISDS can be quite important for foreign firms that are uncertain about the likelihood of receiving fair treatment from the local court system in times of disputes over government expropriation actions.

EUSFTA uses a different model to protect investors: a standing system more similar to a Court to manage disagreements. The exact details can be found in the agreement.[22]

It is important to understand that governments have always had—and will maintain—the right to regulate in the interests of human, animal and plant life and health, as well as ensure public safety. The agreement clarifies some of these government prerogatives in greater detail.

A standing Court-type of system like the one in EUSFTA has been designed to resolve some important complaints of typical ISDS procedures including the lack of precedent that follows between cases, high costs, limited transparency over proceedings, and includes some specific elements to prevent abuse of the system.

The Court-system embedded in EUSFTA does not allow investors to sue the EU or Singapore for any perceived problem, including loss of market or declining sales. Instead, it helps firms be more confident in the regulatory environment for foreign investors and ensures an alternative approach is available for handling specific types of disputes in the future.

[21] *For the text of the Investment Protection Agreement, see* http://trade.ec.europa.eu/doclib/press/index.cfm?id=961
[22] http://trade.ec.europa.eu/doclib/press/index.cfm?id=961

Other Benefits of EUSFTA

Government Procurement

As the largest purchaser of goods and services in the economy, governments are an important part of the economy. Typically, however, foreign firms have no access to government procurement contracts.

The EU and Singapore, by contrast, are both signatories to a global agreement, the WTO's Government Procurement Agreement (GPA), that does provide access to many types of procurement contracts in each market. The EUSFTA builds on these benefits, particularly by lowering the thresholds for eligible contracts and by extending coverage to include additional contracting parties, like sub-central level authorities.

Note that not every paperclip or air ticket purchased by the respective governments are suddenly open for competition. The agreement details, in Chapter 9, the specific types of contracts that are eligible.[23]

Intellectual Property (IP)

Firms often live and die by their ideas and innovations. While both Singapore and the EU have an admirable record of ensuring the protection of intellectual property (IP), the EUSFTA allowed both sides to make further bilateral commitments to firms in their respective markets.

For instance, the EUSFTA locks in copyright protections for life of the author plus 70 years. Another new set of copyright protections extends coverage to include sound recordings. Test data will receive improved patent protections. Enforcement is stepped up on both sides if infringing materials are found.

One important new element for Singapore-based firms, especially, to know about is a section on Geographical Indications (GIs). While widely known and understood in Europe, GIs are relatively new in Asia. The EUSFTA applies GIs to a much larger group of products than before.

The primary idea behind GIs is that there is something particular to the creation of a product based on its geographic origins. Apparently similar goods produced in a different location or with different production methods should not be allowed to be marketed in the same way, as the two items are not actually alike.

[23] *Read the chapter and annexes at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A1114(01)&from=EN#page=55*

The easiest example for many to recognize is champagne (and many other types of wines and spirits). GIs in alcoholic beverages have a long history. Champagne produced from grapes grown in Champagne, France, is assumed to be endowed with certain qualities and characteristics that cannot be replicated by a similar type of product made in California. Only the beverage made in Champagne, France, qualifies for the label of champagne. All others must be called something else, like sparkling wine, to avoid any potential customer confusion.

In EUSFTA, Singaporean producers need to be mindful of European GIs, which may provide specific protections for products that cannot be sold in Europe or in Singapore under the same names. European producers will need to carefully examine Singapore's new GI registration to ensure consistency as well.[24]

Standards for Food and Industrial Goods

Governments, as noted above, always have the right to regulate to ensure public health and safety. Much of this regulation comes in the form of specific domestic legislation on topics like food or product safety testing or labeling. Governments need to be certain that imported products, like locally produced goods, do not cause harm to their citizens.

Some governments, however, use standards and other types of regulation to block foreign products from the market. To help ensure that legitimate policy does not cross over and become a barrier to trade, some FTAs have rules governing the application of standards. For instance, an FTA may require that any potential legislative changes have a set time period available for public comment or to ensure that firms have sufficient time for any necessary adjustments to meet new requirements.

Most FTAs do not actually create standards or harmonize regulations. Instead, the key role of the FTA is to ensure better consistency and improved transparency to allow firms to better meet domestic-level requirements in partner markets. They also typically include contact or enquiry points so firms know which agencies or ministries should have information available to companies on domestic level regulations, administrative actions and legislation.

Because the EU and Singapore both follow long-standing practices of good regulation, including high levels of notice and transparency, the EUSFTA was able to go beyond pledges of general cooperation and include some sector-specific commitments. These include:
electronics; motor vehicles and vehicle parts; pharmaceuticals and medical devices, and renewable energy.

[24] *To register a GI in Singapore, see the Intellectual Property Office of Singapore (IPOS). Materials can be found at: https://www.ipos.gov.sg/resources/geographical-indication and the list of registered items can found at: www.ip2.sg.*

One important element of the agreement's section on electronics is a commitment to reduce the burden on firms of ensuring sufficient testing. Before the FTA, electronics firms could be hampered by multiple requirements for what are called conformity assessments (basically testing). Both sides promised to minimize testing regimes by eliminating duplicative testing requirements for product safety and electromagnetic compatibility of electrical and electronic equipment, electrical household appliances and consumer electronics. Both sides also agreed to stop asking for mandatory third-party testing whenever possible and Singapore agreed to allow some low-risk suppliers to use their own declarations of conformity assessment.

For autos and auto parts, both sides agreed to stick to internationally accepted regulations as much as possible. Singapore will allow autos and auto parts to be sold across the island without additional testing or certification as long as international standards like United Nations Economic Commission for Europe (UNECE) type approval regulations have been followed.

In pharmaceutical and medical devices, an important sector for both sides, the EU and Singapore agreed to maintain fair, reasonable and non-discriminatory criteria, rules, procedures and guidelines for the listing, pricing and reimbursement of pharmaceuticals. For companies manufacturing active pharmaceutical ingredients (API) in Singapore, the EUSFTA allows firms that have qualified for Singapore's "Good Manufacturing Practices" (GMP) to be counted as equivalent to European standards.

Companies working in renewable energy received the following commitments from EUSFTA:

• companies investing in this sector are not to be subjected to any mandatory local sourcing requirements;
• companies are not required to form partnerships with local companies, unless such local partnerships are necessary for technical reasons; and
• the rules concerning authorization, certification and licensing procedures relating to investment in this sector have to be objective, transparent, non-arbitrary and non-discriminatory.

Sustainable Development

European Union trade agreements usually include sustainable development and cooperation provisions. EUSFTA follows this history. The agreement includes labor provisions to ensure the fair treatment of workers by following International Labor Organization (ILO) core labor standards.

To help extend the agreement to environmental issues, both sides locked in commitments made in other formats, including three UN Conventions. What this does is reinforce the incentives for both sides to ensure that, as an example, the rules on trade in endangered species trade (CITES) will be followed in the EU and Singapore.

More specific points were added on:

• corporate social responsibility;
• eco-labelling initiatives;
• fair and ethical trade; and
• conserving and sustainably managing natural resources, including through sustainable forest management and conservation and management of fish stocks.

Although not included in Chapter 12 on Sustainable Development, it may also be worth noting that the EUSFTA provides specific pledges on renewable energy investment to encourage the growth of the sector.[26]

[26] *See Chapter 7 at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A1114(01)&from=EN#page=26*

Bottom Line

The EUSFTA provides companies in both the EU and Singapore with additional market access and greater certainty about trading conditions. At a time of rising global trade uncertainty, firms need to seize any opportunity to become more competitive.

The agreement can be complicated to understand, so firms may need to seek specialist help to ensure compliance with the rules.