EXPnews

UE-SINGAPORE: Trade and investment agreement

Introduction

On November 8, 2019, the Member States of the European Union (EU) approved the trade agreement between the EU and Singapore, which therefore entered into force on November 21. An investment protection agreement has also been concluded between the EU and Singapore, which may enter into force after ratification by all EU Member States according to their respective national proceedings. These are the first bilateral trade agreements signed between the EU and a Member State of the Association of Southeast Asian Nations (ASEAN).

The goal of these agreements is to allow further development of economic and commercial relations between the two parties, creating greater growth opportunities for companies.

Background

Singapore is a City-State with approximately 5.6 million inhabitants, and represents the most advanced economic system among Southeast Asian countries[1], with the fifth highest per capita income in the world (equal to 97,660 USD in 2018).

It is also by far the main EU trading partner in the region, with trade in goods worth more than € 53 billion, services for another € 51 billion and bilateral investments for € 344 billion (EU data 2017). Over 10,000 EU businesses have settled in Singapore and use this facility to cover the entire Pacific region.

Key elements

The EU-Singapore trade agreement is one of the first "new generation" bilateral agreements. In addition to the classic removal of customs duties and non-tariff barriers for trade in goods and services, it contains important provisions on intellectual property protection, investment liberalization, public procurement, competition and sustainable development, thus making it wider and more stable the framework in which businesses can operate.

Singapore will remove all remaining tariffs on certain EU products (like alcoholic beverages, including beer and stout) and will commit to keep unchanged current duty-free access for all other EU products. The agreement also opens up new opportunities for EU services in important fields such as, among others, telecommunications, environmental, financial services, engineering, computing and maritime transport.

Finally, the so-called trade barriers in key sectors will be removed, such as recognizing EU safety tests for cars and numerous electronic devices or by accepting the labels that EU companies

[1]Brunei, Myanmar (Burma), Cambodia, Philippines, Indonesia, Laos, Malaysia, Singapore, Thailand and Vietnam

use for textiles.
On the day the trade agreement enters into force, over 80% of all imports from Singapore will enter the EU duty free. For the rest, EU tariffs will be removed within 3 or 5 years, depending on the product category. Sectors that will benefit from the immediate removal of tariffs are electronics, pharmaceuticals, petrochemicals, and processed agricultural products.
In today's global economy, companies often operate along global value chains and their products generally contain domestically produced components as well as inputs sourced from abroad. This trade agreement recognizes another important element for the development of trade, namely the integrated nature of supply chains in Southeast Asian, including the concept of "ASEAN cumulation" which allows Singapore-based manufacturers to include components sourced from other ASEAN Member States as originating content when determining whether a specific product can meet the rules of origin requirements.
The agreement also addresses existing regulatory divergences in some key sectors that constitute non-tariff barriers to EU-Singapore trade, such as: electronic products; motor vehicles and vehicle parts; pharmaceutical products and medical devices; equipment for renewable energy generation and raw and processed products of animal and plant origin.
Another important element for companies is customs cooperation between the EU and Singapore to simplify, harmonize, standardize and modernize trade procedures in order to cut transaction costs for business with an emphasis on the legitimate trade defense.
New opportunities are established for the participation of EU companies in procurement by improving and simplifying the procedures, in particular in the railway sector and for the Singapore National Environment Agency.
The trade agreement also consolidates the protection of intellectual property rights. Intellectual property right-holders will be able to receive assistance from customs authorities to detain counterfeit trademarked or GI-protected goods, pirated copyrighted content and registered designs. Singapore has also agreed to strengthen the current Geographical Indication (GI) regime by setting up a system to register GIs in the country, with which it will extend legal protection to 138[2] representative European Union food and drink products known as Geographical Indications.
The agreement has binding commitments to ensure that domestic levels of environmental and labour protection are in line with core international standards and agreements.
The trade agreement also creates new opportunities for companies wishing to establish a commercial or productive presence on the spot, facilitating investments.
To this end, the Investment Protection Agreement will ensure a high level of investment protection while safeguarding the EU and Singapore rights to regulate and pursue public policy objectives such as the protection of public health, safety and the environment. The agreement protects EU investors and their investments in Singapore from expropriation, unless it is for public purposes, in accordance with due process and against payment of prompt.

Conclusion
The two EU-Singapore agreements represent an interesting opportunity for European and Italian companies and investors both for their contents and for the current turbulent situation in Hong Kong, a strategic financial and economic hub of the area and a direct competitor of Singapore. The agreements will strengthen and enhance Singapore's role as an economic, commercial and European "bridgehead" for European investments in the area.

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[2]Updated 8.11.2019
Sources: European Commission, InfoMercatiesteri