

FREE TRADE AGREEMENT BETWEEN THE COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF AND THE REPUBLIC OF SINGAPORE (GSFTA)

MEDIA INFO-KIT

INTRODUCTION

1. Singapore and the Cooperation Council for the Arab States of the Gulf (GCC)¹ agreed to launch negotiations on a free trade agreement during Singapore Prime Minister Lee Hsien Loong's official visit to Saudi Arabia in November 2006.
2. GCC-Singapore FTA (GSFTA) negotiations commenced on 17 January 2007 and were concluded on 31 January 2008 after four rounds of talks.
3. The Agreement was signed between Singapore Prime Minister Lee Hsien Loong and his GCC counterparts, President-in-Office of the GCC Ministerial Council and Qatar Prime Minister Sheikh Hamad bin Jassim Al Thani, and GCC Secretary-General Abdurrahman bin Hamad Al-Attiyah in Doha, Qatar on 15 December 2008.
4. The GSFTA is a milestone agreement in strengthening ties between the GCC countries and Singapore, particularly because it is the first Free Trade Agreement (FTA) signed by the GCC and the second FTA that Singapore will be signing with the Middle East². The GCC is also Singapore's 7th largest trading partner³, with bilateral trade reaching a record high of S\$42.4 billion in 2007⁴. This is an increase of 127% since 2002. Singapore's cumulative investments in the GCC totaled S\$357 million in 2006.
5. The GSFTA is a comprehensive agreement that encompasses Trade in Goods, Trade in Services, Government Procurement and other features. Its Cooperation Chapter will also encourage and facilitate bilateral cooperation in several areas, including the recognition of the Halal certification of Singapore's Majlis Ugama Islam Singapura (MUIS). The GSFTA process also commits each GCC country and Singapore to complete negotiations for bilateral Investment Guarantee Agreements (IGAs).

¹ The GCC countries comprise Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

² The Jordan-Singapore FTA signed on 16 May 2004 is the first FTA Singapore signed with a country in the Middle East.

³ The GCC was our 7th largest trading partner after Malaysia, China, US, Indonesia, Japan and Hong Kong in 2007.

⁴ Total exports (ie both domestic exports and re-exports) to the GCC were worth an estimated S\$7.5 billion, while the GCC exported S\$34.8 billion worth of goods to Singapore.

6. As a key institutional framework that will strategically link the Gulf region and Singapore, the GSFTA will also help to promote and facilitate the greater flow of goods, services, investment and people between the two economies.

7. The GCC team was led by Dr Hamed Al Bazai, GCC General Coordinator for Negotiations, GCC General Secretariat. The Singapore team was first led by Loh Wai Keong, then-Deputy Secretary (Trade) and subsequently by Ravi Menon, Second Permanent Secretary for Trade and Industry.

Chapters of the GSFTA

8. The GSFTA comprises the following Chapters:

- Chapter 1 – General Provisions
- Chapter 2 – Trade in Goods
- Chapter 3 – Rules of Origin
- Chapter 4 – Customs Procedures
- Chapter 5 – Trade in Services
- Chapter 6 – Government Procurement
- Chapter 7 – Electronic Commerce
- Chapter 8 – Cooperation
- Chapter 9 – Dispute Settlement
- Chapter 10 – Final Provisions

KEY FEATURES OF THE GSFTA

Trade in Goods

9. The Trade in Goods Chapter provides for comprehensive tariff eliminations that will make Singapore goods more competitive vis-à-vis other foreign imports entering the GCC. Currently, about 10% of Singapore's exports enter the GCC tariff-free. Upon entry into force of the GSFTA, approximately 99% of Singaporean domestic exports to the GCC, worth about S\$3.1 billion⁵, will qualify for tariff-free concessions⁶. Key sectors benefitting include telecommunication, electrical and electronic equipment, petrochemicals, jewellery, machinery and iron and steel-related industry.

10. Singapore will grant zero-tariff treatment on all GCC imports when the Agreement comes into effect.

⁵ Based on 2007 trade figures.

⁶ Subject to being classified as a Singaporean product under the Rules of Origin

Rules of Origin

11. Rules of Origin (ROO) determine the 'nationality' of a product. In the GSFTA, they ensure that only products substantially transformed in Singapore or the GCC will qualify for the tariff concessions in the Agreement. Under the GSFTA, a product can qualify for preferential treatment if at least 35% of value-add has taken place in the originating country.

Customs

12. Good customs procedures are necessary to ensure the free movement of goods traded between both countries. The lack of such procedures can increase compliance costs and diminish the benefits that result from tariff reduction.

13. Under the GSFTA, the customs authorities in the GCC and Singapore will:
- a. Provide an advance ruling on the eligibility of originating goods for preferential tariffs and tariff classification, upon the request of the trader. This will provide traders with greater certainty on the status of their goods at the country of import.
 - b. Waive the requirement for a certificate of origin for low-value originating goods allowing traders to save on time and cost.
 - c. Enhance the application of risk management to focus on high-risk goods and facilitate the clearance of low risk consignments. The Customs Authorities will also enhance transparency in customs controls so that traders would be fully aware of the customs requirements and procedures in the respective countries.

Trade in Services

14. The Trade in Services Chapter builds on the commitments made by Singapore and the GCC countries at the multilateral level, in particular, the WTO General Agreement on Trade in Services (GATS). This will provide Singapore service suppliers enhanced market opportunities into the GCC.

15. The Chapter consists of general disciplines governing trade in services between Singapore and the GCC. 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.

16. Singapore and the GCC have committed to liberalise various services sectors beyond its WTO commitments. The sectors for which Singapore will enjoy preferential access include professional services like legal services, accounting services and engineering services; and business services like construction services, distribution services and hospital services. The GCC will enjoy preferential treatment for sectors such as professional services like legal services and integrated engineering services, and business services like advertising and retailing services, and transport services.

17. Some GCC countries will relax and bind the foreign equity limits in certain key sectors of interest to Singapore, like construction services, distribution services and hospital services⁷, while other GCC countries will bind the foreign equity limit across the board for all sectors between 70% and 100%.⁸

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 the GCC.

19. In Financial Services, locally incorporated financial institutions and foreign financial institutions with branches in Singapore are assured of access more favourable than those committed under GATS, for onshore insurance and banking businesses in Bahrain and Qatar. Specifically, the service commitments lock-in access privileges, such as 100% foreign-ownership of Bahrain-incorporated companies conducting onshore banking or insurance businesses, and cross-border access to the insurance market in Qatar, including life and non-life segments.

National Archives of Singapore

⁷ The UAE relaxed foreign equity limits in construction services, distribution services, hospital services and legal advisory services. For the case of Qatar, the foreign equity limit is set at 49% but allowed up to 100% if the Singapore services supplier can demonstrate that he has sufficient experience. Oman also allowed 100% foreign equity for construction services. Kuwait will also bind the foreign equity limit for the following 7 sector at 100%: construction; banking; insurance; information technology and software development; hospital and other health services; tourism and hotels; and culture, information and marketing.

⁸ Bahrain will bind its foreign equity limit for companies at 100%, while Oman will bind its foreign equity limit for companies at 70% across all sectors.

Government Procurement

20. The Government Procurement Chapter incorporates all the good principles and practices of the Government Procurement Agreement (GPA) at WTO level to give competitive opportunities to the suppliers of both sides to penetrate each other's market. Under the GSFTA, the GCC and Singapore have committed to maintaining an open and transparent system of procurement. This will increase the business opportunities open to companies and reduce costs of doing business for both government and industry. Suppliers from the GCC States and Singapore can leverage on this Chapter to augment their business opportunities. Singapore suppliers are also given the same price preference of 10% that is given to the GCC domestic suppliers for the use of any goods or services that is produced in the GCC State for the procurement of goods and services listed in the Annexes to the Government Procurement Chapter.

Investments

21. IGAs serve to create favourable conditions for bilateral economic activities and to stimulate bilateral investment flows by establishing a framework to promote and protect bilateral investments. Under the GSFTA, Singapore and GCC countries that have yet to sign bilateral IGAs with Singapore have committed to complete negotiations within 2 years⁹.

Electronic Commerce

22. The GCC and Singapore re-affirmed their commitment to promote a liberalized environment for electronic commerce. The chapter on electronic commerce addresses non-discriminatory and fair treatment of digital products, such as software, e-books and e-movies, originating from Singapore and the respective GCC countries. Both sides also commit to avoid imposing customs duties on digital products delivered electronically.

23. The GCC and Singapore will also work together to promote the use of electronic commerce to benefit small and medium sized enterprises.

Cooperation

24. The GCC and Singapore currently enjoy strong economic cooperation in wide-ranging areas. Under the Agreement, both sides agreed to establish a framework for cooperation as a means to expand and enhance the benefits of this Agreement. The agreement affirms the importance of cooperation in all areas with particular attention to information and communications technology (ICT), halal certification, air services and business visits.

⁹ Bahrain, Oman and Saudi Arabia had signed bilateral IGAs with Singapore. Kuwait, Qatar and the UAE committed to completing negotiations for bilateral IGAs with Singapore within 2 years from the commencement of negotiations.

- a. ICT: The GCC and Singapore recognise the rising importance of ICT in both domestic and international context and agreed to enhance cooperation in the promotion of the development of ICT and ICT-related services.
- b. Halal Certification: The GCC countries committed to either recognize or to commence negotiations to recognize the Singapore Muis Halal Standards (SMHS)¹⁰ as consistent and compliant with similar standards in their countries. The recognition of SMHS by the GCC countries will facilitate trade in Halal product exports to the GCC. It will also provide greater assurance to Muslim tourists and business visitors from the Gulf that their dietary requirements will be met when in Singapore.
- c. Air Services: The GCC and Singapore recognise the importance of air transport services in our respective economies and agree to cooperate in the air services sector. Such cooperation may include, *inter alia*, concluding air services agreements between one or more of the GCC countries and Singapore.
- d. Business Visits Cooperation: The GCC and Singapore recognise the importance of the exchange of business visits in their respective economies and agree to promote such visits and exchanges.

Dispute Settlement

25. 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 this connection, the GCC and Singapore have negotiated a comprehensive set of dispute settlement procedures. Disputes are subject to consultations, negotiations, conciliation and arbitration just like in the WTO, thereby enhancing the rule of law in international trade.

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

¹⁰ The SMHS is developed by the Islamic Religious Council of Singapore (Muis). Kuwait, Qatar and UAE agreed to recognize the SMHS while Bahrain, Oman and Saudi Arabia agreed to commence negotiations to do so.