

# *Singapore Government*

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### **OPENING STATEMENT BY PROFESSOR TOMMY KOH, SINGAPORE'S AMBASSADOR-AT-LARGE, AT THE INITIAL PLENARY MEETING FOR US-SINGAPORE FREE TRADE AGREEMENT NEGOTIATIONS, HELD ON 4 DECEMBER 2000, 4.30 PM (EASTERN TIME) IN WASHINGTON DC, USA**

Ambassador Richard Fisher, Mr Ralph Ives, members of the US delegation, thank you for the warm welcome which you have extended to us. The Singapore delegation is delighted to be here. We share your commitment to conclude our negotiation successfully before the end of this year. Given political will on both sides, the job can be done even though the timeframe is extremely tight. We will succeed if we are united in our belief that a free trade agreement between the US and Singapore is good for our two countries, good for US-ASEAN relations, good for APEC and P5 and good for global trade liberalisation under the aegis of the WTO. Let me therefore attempt to answer a number of questions which have been raised since President Clinton and Prime Minister Goh issued their joint statement on 16 November 2000 in Brunei.

#### First, why US-Singapore?

The choice of the US by Singapore is based upon economic as well as strategic reasons. The US is Singapore's largest trading partner. Two-way trade in 1999 was S\$69 billion or US\$41 billion. The US is also our largest foreign direct investor. The cumulative stock of US direct investment in 1997 stood at S\$21 billion or US\$12 billion. US companies account for more than half of Singapore's exports to the US.

Singapore views the US presence as vital to the security and stability of the region. This remains relevant in spite of the end of the Cold War because relations among the major countries of the Asia Pacific are dynamic and not static. A new post-Cold War security order is evolving. China and Japan will play increasingly influential roles in the region. We want the US to continue to stay engaged and to play the role of balancer.

What is the importance of Singapore to the US?

Singapore's population of about 4 million is larger than that of Jordan but smaller than that of Israel, two countries with which the US has concluded FTAs. Singapore's economic importance to the US, however, exceeds its physical size. We are the 10th largest trading partner of the US in the world and the largest in Southeast Asia. We play host to 1,300 US companies and 15,000 US citizens. Singapore is an exemplar for the rest of East Asia. Singapore has a vibrant market economy and practises free trade. The Heritage Foundation's Index of Economic Freedom has consistently ranked Singapore as the second freest economy in the world. The US and Singapore therefore share certain fundamental economic values.

Singapore has been helpful to the US in defence and security. Following the withdrawal of US forces from the Clark Air Base and the Subic Naval Base in the Philippines, Singapore offered US forces access to military facilities in Singapore. Visiting servicemen have always been welcomed by the citizens of Singapore. The US is the largest source of Singapore's military procurements. The Singapore Air Force has stationed detachments of men and aircraft for training at bases in Arizona, New Mexico, Texas and Kansas. Relations between our two defence establishments are therefore excellent. We have co-operated to promote regional peace and security in many multilateral forums.

Second, how will the USSFTA affect US-ASEAN relations?

Several of the ASEAN economies were badly dented by the 1997-1998 East Asian monetary and economic crisis. In some cases, economic crisis led to political crisis which, in turn, brought about changes of government. Some of ASEAN's economies have rebounded from the crisis, leaner and more competitive than before the crisis. For example, Singapore responded to the crisis by accelerating its reform, restructuring and liberalisation. As a result, the Singapore economy grew by 5.4% in 1999 and is projected to grow by 9.5% in 2000.

Some ASEAN economies have not done as well. Some ASEAN countries are still experiencing political instability. As a result, investor confidence in ASEAN, as a region, has not recovered to the pre-crisis level. Most of the FDI coming to East Asia are going to Northeast Asia and only a smaller stream is coming down to Southeast Asia. The US can help to restore confidence in ASEAN. We think that the USSFTA will have a positive effect because it involves an ASEAN country, because it could lead to other FTAs between the US and other ASEAN countries and because it could lead eventually to former USTR, Bill Brock's dream of a US-ASEAN FTA.

### Third, how will the USSFTA affect APEC?

The US and Singapore are fully committed to APEC and its -Bogor vision of free trade and open investment by 2010 for developed economies and 2020 for developing economies. We should remember that it was President Clinton who took the initiative to convene the first APEC Leaders' Meeting in Seattle.

Since Seattle, APEC has adopted three approaches to secure its vision. The first approach was individual unilateral liberalisation combined with concerted collective liberalisation. The second approach was sectoral liberalisation. The third approach was to use the WTO to launch a new round of trade negotiations. There was a general consensus at the recent APEC meeting in Brunei, to adopt a fourth approach, FTAs.

### What is the rationale?

The rationale is that so long as they are consistent with the WTO, FTAs should be welcomed because they contribute towards global trade liberalisation. The many FTAs being negotiated between APEC's economies will reinforce one another. The net effect is the lowering of barriers to trade and investment. This will bring us closer to, not further from, the APEC vision of free trade and open investment in the Pacific.

### Fourth, how will the USSFTA affect P5?

The acronym, "P5", stands for Pacific 5, consisting of the US, Chile, Australia, New Zealand and Singapore. The grouping was created in November 1998 as a core group within APEC. The idea was that an FTA among them could provide a substantial boost to APEC's momentum. The USSFTA is not inconsistent with the P5. Indeed, the announcement by the

US and Chile on 29 November 2000, to begin negotiation for an FTA vindicates our view that the USSFTA could be a stepping stone to larger prizes.

Fifth, how will the USSFTA affect the WTO?

Singapore and the US are firmly committed to global trade liberation, under the aegis of the WTO. In the case of Singapore, this commitment is essential for our economic survival. External trade is three times larger than Singapore's GDP, the highest for any country. Singapore will never do anything, pursue any policy which would jeopardise the efficacy of the WTO and the world trading system. We do not, however, believe that the WTO has been undermined by the EU, NAFTA, AFTA, APEC or will be undermined by the USSFTA.

According to the WTO's year-end review of global trade statistics, the volume of international trade in goods is expected to grow by 10% this year. This is the second-highest growth rate in world trade in the past decade, and double the 5% growth rate last year. This is clear evidence that the various bilateral and regional trading arrangements have in no way undermined the WTO. In fact, the record shows that APEC exerted a positive influence on the conclusion of the Uruguay Round. The record also shows that agreements for sectoral liberalisation, first arrived at in APEC, were later adopted by the WTO. The record shows that a higher benchmark adopted in a bilateral FTA could subsequently become a global standard. In other words, regional trading arrangements and bilateral free trade agreements could play a complementary and catalytic role to the WTO. If this were not the case, Singapore would never have entered into such agreements because our commitment to the WTO is fundamental.

There is another important point. Cross-regional FTAs will not lead to regional trading blocs. The USSFTA will be the first FTA between the US and an Asian country. Singapore has already concluded an FTA with New Zealand and is currently negotiating with Mexico, Japan, Canada and Australia.

Conclusion

I hope I have convinced all of you that the USSFTA is good for our two countries, good for US' relations with ASEAN and East Asia, good for APEC and P5, and good for the WTO.

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