EU/Singapore Free Trade Agreement

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PURPOSE: to conclude the Free Trade Agreement between the European Union and Singapore.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: the dynamically growing Southeast Asian economies, with their over 600 million consumers and a rapidly rising middle class, are key markets for European Union exporters and investors. With a total EUR 208 billion of trade in goods and EUR 77 billion of trade in services (2016), the Association of Southeast Asian Nations (ASEAN) taken as a whole is the EU's third largest trading partner outside Europe, after the US and China.

Within the ASEAN, Singapore is by far the EU's largest partner.

On 23 April 2007, the Council authorised the Commission to enter into negotiations for a region-to-region Free Trade Agreement (FTA) with Member States of the ASEAN. On 12 September 2011, the Council authorised the Commission to extend the on-going negotiations with Singapore to cover also investment protection, based on a new EU competence under the Lisbon Treaty.

On the basis of the negotiating directives adopted by the Council in 2007, and supplemented in 2011 to include investment protection, the Commission has negotiated with Singapore an ambitious and comprehensive FTA and an Investment Protection Agreement (IPA), with a view to creating new opportunities and legal certainty for trade and investment between both partners to develop.

CONTENT: the Commission called on the Council to adopt the Decision to conclude the **Free Trade Agreement** between the European Union and Singapore. In line with the objectives set by the negotiating directives, the Commission secured the following:

- **Liberalisation of services**: the FTA includes the comprehensive liberalisation of services and investment markets, including cross-cutting rules on licensing and for the mutual recognition of diplomas, and sector specific rules designed to ensure a level playing field for EU businesses.
- **Procurement**: it also lays down new tendering opportunities for EU bidders, and especially in the utilities market where there are many leading EU suppliers.
- **Trade barriers**: the FTA removes technical and regulatory trade barriers to trade in goods, such as duplicative testing, in particular by promoting the use of technical and regulatory standards familiar in the EU in the sectors of motor vehicles, electronics, pharmaceuticals and medical devices as well as green technologies. Based on international standards, a more **trade-facilitative regime** for the approval of European meat exports to Singapore. Singapore's commitment **not to raise its tariffs** (which are currently mostly not applied on a voluntary basis) on imports from the EU, as well as cheaper access of European businesses and consumers to products made in Singapore.
- **GI protection**: a TRIPs-plus level of protection to EU GIs following their registration in Singapore once Singapore has established a GI register has been proposed.
- **Sustainable development**: the FTA includes a comprehensive chapter on trade and sustainable development, which aims at ensuring that trade supports environmental protection and social development and promotes the sustainable management of forests and fisheries. The chapter also sets out how social partners and civil society will be involved in its implementation and monitoring.
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Dispute mechanism: a swift dispute resolution mechanisms is proposed through either panel arbitration or with the help of a mediator.

- **Investment protection**: the EU-Singapore Investment Protection Agreement (IPA) will ensure a high level of investment protection, while safeguarding the EU's and Singapore's rights to regulate and pursue legitimate public policy objectives such as the protection of public health, safety and the environment.

Trade committee: the institutional chapter of the FTA establishes a trade committee that has as its main task to supervise and facilitate the implementation and application of the agreement. It shall be comprised of representatives of the EU and of Singapore who will meet every two years or at the request of either side.

BUDGETARY IMPLICATIONS: the EU-Singapore FTA will have a financial impact on the EU budget on the side of the **revenues**. It is estimated that foregone duties could reach an amount of EUR 248.8 million upon full implementation of the agreement. The estimate is based on average imports projected for 2025 in the absence of an agreement and represents the annual loss in revenues resulting from the elimination of EU tariffs on imports from Singapore. The EU-Singapore IPA is expected to have a financial impact on the EU budget on the side of the **expenditures**. The agreement will be the EU's second (after the EU-Canada Comprehensive Economic and Trade Agreement) to incorporate the Investment Court System (ICS) for the resolution of disputes between investors and states. An amount of EUR 200 000 of additional yearly expenditure is foreseen from 2018 onwards (subject to the entry into force of the agreement) to finance the permanent structure comprising a First Instance and an Appeal Tribunal.