

# EU/Singapore Investment Protection Agreement

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**PURPOSE:** to conclude the Investment Protection Agreement between the European Union and its Member States, of the one part, and Singapore of the other part.

**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.

At the same time, a total EUR 263 billion foreign direct investment stock (2016) in the ASEAN makes the EU the first foreign direct investor in the ASEAN, while the ASEAN as a whole is in its turn the second largest Asian foreign direct investor in the EU – with a total foreign direct investment stock of EUR 116 billion (2016).

Within the ASEAN, Singapore is by far the EU's largest partner, accounting for slightly under one-third of EU-ASEAN trade in goods and services, and roughly two-thirds of investments between the two regions. Over 10 000 EU companies are established in Singapore and use it as a hub to serve the whole Pacific Rim.

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.

From the date of its entry into force, the EU-Singapore IPA will replace and supersede the bilateral investment treaties between the Republic of Singapore and EU Member States that are listed in the IPA.

**CONTENT:** the Commission called on the Council to adopt the Decision to conclude **the Investment Protection Agreement between the European Union and its Member States, of the one part, and Singapore** of the other part.

**Main aim of the IPA:** it aims to:

- enhance the investment climate between the EU and Singapore;
- bring benefits to European investors by ensuring a high level protection of their investments in Singapore, while at the same time safeguarding the EU's rights to regulate and pursue legitimate public policy objectives such as the protection of public health, safety and the environment;
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protect EU investors and their investments in Singapore from expropriation, unless it is for public purposes, in accordance with due process, on a non-discriminatory basis and against payment of prompt, adequate, and effective compensation according to fair market value of the expropriated investment;

- offer investors the option of a modern and reformed investment dispute resolution mechanism. This system ensures that investment protection rules are adhered to and seeks to strike a balance between protecting investors in a transparent manner and safeguarding the right of a State to regulate in order to pursue public policy objectives;
- set up a **standing international and fully independent dispute resolution system**, consisting of permanent First Instance and Appeal Tribunals that will conduct dispute settlement proceedings in a transparent and impartial manner.

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;
- **dispute mechanism:** a swift dispute resolution mechanisms is proposed through either panel arbitration or with the help of a mediator.

**Committee:** the institutional chapter of the IPA establishes a committee with the main task to supervise and facilitate the implementation and application of the agreement. Among other tasks, the committee may, subject to the completion of each side's respective legal requirements and procedures, decide to appoint the Members of the ICS Tribunals, fix their monthly retainer and fees, and adopt binding interpretations of the agreement.

**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.