

# **REGULATION IMPACT STATEMENT (RIS)**

## **Singapore-Australia Free Trade Agreement**

### **PROBLEM IDENTIFICATION**

Australia and Singapore have a well-developed trading relationship. Singapore is Australia's 7<sup>th</sup> largest trading partner overall and 7<sup>th</sup> largest export market. In 2001 – 2002, the value of Australia's merchandise exports to Singapore amounted to A\$4.9 billion (or 4.1 per cent of Australia's total exports), while exports of services to Singapore were worth almost A\$2.2 billion. In the same period, Australia had a merchandise trade surplus with Singapore of almost one billion Australian dollars, and a small service trade deficit (\$8 million).

Access for Australian goods exports to Singapore is very open. However, Australian service exporters face a range of barriers or regulatory conditions in Singapore that affect their ability to penetrate the Singaporean market. The nature of these measures varies - from the absence of a fully-fledged and transparent Singaporean competition law to the lack of recognition of Australian educational qualifications. There are also restrictions on the operations of foreign financial service providers that impair the ability of Australian companies to take full advantage of the Singaporean financial service market. The Singapore-Australia Free Trade Agreement (SAFTA) will address many of these restrictions, and give Australian service providers and investors a better opportunity to compete successfully in the Singaporean market.

While these market access issues were important considerations, the initiative to negotiate a free trade agreement (FTA) with Singapore also reflected Australia's broader trade and economic interests in the East Asian region. Singapore shares Australia's outlook on the value of trade liberalisation, and expanding trade and investment links with regional neighbours. Australia believes that a substantive and comprehensive FTA between Australia and Singapore will:

- signal strong support for further multilateral, regional and bilateral initiatives;
- help create a more open global and regional trading environment; and
- promote strength and stability in the region.

Singapore has completed FTAs with New Zealand, Japan and the European Free Trade Association. In November 2002, Singapore reached agreement on the broad substance of an FTA with the United States (US). Singapore is also involved in ongoing FTA negotiations with Mexico, Canada and Korea (as well as in the ASEAN/China FTA talks). While Singapore's existing FTAs address the same kind of issues as SAFTA, and conform to the same basic model (that is, chapters on trade in goods, trade in services, etc), SAFTA will be more comprehensive and trade liberalising. For example, Singapore's FTA with Japan excludes agriculture, whereas SAFTA has no exceptions on trade in goods. The details of the US-Singapore FTA are not yet publicly available, but US and Singaporean Government press releases indicate that it will be similar in structure and coverage to SAFTA.

## **OBJECTIVES**

The broad objectives of SAFTA for Australia are:

- to improve market access for Australian goods and service exporters; and
- to promote closer economic integration with the East Asian region.

SAFTA should also provide a stimulus for further liberalisation in the East Asian region, and set World Trade Organization-consistent standards for such further liberalisation.

## **OPTIONS**

Australia can seek to address the restrictions identified above (that is, the barriers to trade that Australia faces globally and, in this particular case, in Singapore) through multilateral, regional and bilateral trade negotiations.

The Australian Government recognises that the most effective mechanism through which to achieve comprehensive, global trade reform and liberalisation is through multilateral negotiations. The successful, early conclusion of the recently launched Doha Round of negotiations in the World Trade Organization (WTO) is, therefore, the Australian Government's highest trade policy priority.

The Australian Government remains committed to the achievement of the APEC Bogor goals of free trade and investment in the region by 2010 for industrialised economies and 2020 for developing economies.

Australia has also pursued and continues to pursue its trade liberalisation objectives through the negotiation of FTAs. Before SAFTA, the only other FTA Australia had negotiated was the Australia-New Zealand Closer Economic Relations Trade Agreement (CER), which was concluded in 1983. Currently, Australia is also preparing to commence formal negotiations on an FTA with the United States (US) in March 2003, and has commenced negotiations with Thailand on a bilateral FTA.

FTAs that are comprehensive in scope, and set high standards in terms of compliance with WTO rules and developing new benchmarks, can complement the multilateral process by creating incentives for other countries to participate in the trade liberalisation process. Decisions by the Australian Government to negotiate an FTA are based on assessments about the potential for the FTA to deliver greater benefits to the negotiating parties than can be achieved in a similar timeframe through WTO negotiations. The Australian Government considers that any proposed FTA must comply with relevant WTO agreements; and, in particular, with Article XXIV of the *WTO General Agreement on Tariffs and Trade 1994* and Article V of the *WTO General Agreement on Trade in Services (GATS)*, which state, respectively, that FTAs must cover “*substantially all the trade*” in products between participating countries and have “*substantial sectoral coverage*” regarding the services liberalization involved.

Given the size and value of the existing bilateral trade relationship, Singapore was a strong candidate in East Asia for Australia's first bilateral FTA. Singapore has the most-developed economy and the strongest regulatory framework in South East Asia, and was clearly willing and able to move more quickly than other ASEAN partners.

Singapore also lacked the barriers protecting sensitive sectors for trade in goods that would have made comprehensive FTAs with North Asian economies, such as Japan and Korea, difficult to initiate. Before SAFTA negotiations were initiated, Singapore had already concluded an FTA with New Zealand, and was negotiating one with Japan. It also launched FTA negotiations with the US in 2000. Apart from indicating Singapore's willingness to pursue bilateral trade liberalisation agreements, this very wide negotiating experience reflected Singapore's capacity to undertake complex trade negotiations.

SAFTA negotiations began in March 2001, following an announcement by Prime Minister Howard and Prime Minister Goh Chok Tong of Singapore on 15 November 2000.

SAFTA's chapter headings give an indication of the issues that were the focus of the negotiations. These include:

- Trade in Goods:
  - elimination of tariffs, and principles covering anti-dumping, subsidies and safeguards;
- Rules of Origin:
  - rules determining the criteria under which imports into Australia or Singapore qualify for preferential tariff treatment under SAFTA;
- Trade in Services:
  - removal of restrictions affecting service suppliers, investors and professionals;
  - principles governing telecommunications and financial service regulation;
- Government Procurement:
  - conditions of access to Australian and Singaporean government procurement markets;

- Competition Policy:
  - principles addressing anti-competitive business conduct, and competitive neutrality in treatment of government-owned businesses;
- Investment:
  - establishes non-discriminatory treatment of investments, and principles for compensation for expropriation;
- E-commerce:
  - commitments in such areas as the mutual recognition of electronic accreditation procedures and paperless trading; and
- Intellectual Property:
  - strengthening bilateral cooperation mechanisms, and enhancing mutual commitments on intellectual property.

A number of understandings between Australian and Singapore about the operation of SAFTA and topics to be taken up at the first review are recorded in the text of the Third Person Notes (TPNs) that are to be exchanged on entry into force of SAFTA.

A major issue not covered in the negotiations was rights in relation to air transport, and services directly related to the exercise of these rights. Separate negotiations for an “Open Skies” agreement between Australia and Singapore were already underway before SAFTA negotiations commenced. These “Open Skies” negotiations were kept separate from SAFTA, so as not to complicate the SAFTA talks.

## **IMPACT ANALYSIS**

This section analyses the economy-wide impacts of SAFTA. First, the general macroeconomic impacts are examined to the extent that they can be identified. Next, the impact on business is analysed in some detail. The impact on consumers is then considered, before identifying the likely costs and benefits of SAFTA for Australian governments. Finally, the broader trade policy considerations are examined.

### ***Macroeconomic Impacts***

An Access Economics study commissioned by DFAT on the costs and benefits of an FTA with Singapore<sup>1</sup> was unable to give precise overall quantitative estimates of the likely impact of such an FTA at the macroeconomic level. As will be discussed in more detail in the *Trade in Goods* section below, trade in goods between Australia and Singapore is already substantially liberalised and, therefore, the impact on the Australian economy of removing the remaining barriers to trade in goods is unlikely to be large. Access Economics expects “*the economy would benefit at the margin from lower input costs*”.<sup>2</sup>

The most important impact of SAFTA for the Australian economy will result from liberalisation of those areas where Australian firms still face restrictions, namely the service sector; however, due to the paucity of reliable trade data for services, econometric estimates of the likely growth in Australian service exports resulting from SAFTA would be unreliable.

Access Economics consequently adopted a survey approach to get estimates of the impact an FTA would have on particular service sectors (for example, financial services and education). These estimates give some insight into the possible gains for some sectors, but they are incomplete (for example, telecommunications firms were unwilling to give any estimates, citing commercial confidentiality considerations) and, therefore, cannot be used to get an estimate of the aggregate macroeconomic impact. The researchers from Access Economics also had methodological reservations about such an approach.<sup>3</sup>

Nevertheless, the study indicated that the gains from SAFTA are likely to be substantial for some service sectors and firms (see the *Trade in Services and Investments* section below). These gains are not likely to have a heavy impact on macroeconomic aggregates such as GDP, employment or net exports because Singapore, though wealthy, is a relatively small economy (with a population of just over 4 million) and its

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<sup>1</sup> *The Costs and Benefits of a Free Trade Agreement with Singapore*, Access Economics, 2001.

<sup>2</sup> *Ibid.*, p ii.

<sup>3</sup> *Ibid.*, p 8.

bilateral trade relationship with Australia is already well-developed. Thus, any dynamic gains from increased economies of scale and other advantages resulting from improved integration of the Australian and Singaporean economies are unlikely to be large. Some firms surveyed by Access Economics (particularly in high technology areas) saw benefits from the higher profile for Australia in Singapore that an FTA with Singapore would result in. This would encourage a sharper focus on the Australian economy by Singaporean investors. However, no quantitative estimates of the impact on aggregate investment were made.

### ***SAFTA's Impact on Business***

#### *1. Trade in Goods*

SAFTA will see Australia and Singapore eliminate tariffs on all goods imported from each other. However, trade in goods between Australia and Singapore is already largely liberalised and, therefore, the impact on Australian industry of removing the remaining barriers will not be substantial. Following the implementation of SAFTA, Australian beer and stout producers will have duty free access to Singapore, but all other Australian products already enjoy such access.

As *Table 1: Imports from Singapore, 2001-2002 (Table 1)* below indicates, a large proportion of Australia's imports from Singapore - 86 per cent - already enter Australia duty free and most of the remainder enter at relatively low rates (only one per cent of imports enter at duties higher than 10 per cent). Therefore, the adjustment effects on Australian industry from removing the remaining tariffs are likely to be small.

As Access Economics found in its survey of Australian business' attitudes toward an FTA with Singapore, there could be costs to some individual firms from eliminating tariffs on imports from Singapore, but, overall, the economy would benefit at the margin from lower input costs.<sup>4</sup>

The basic approach to the rules of origin (ROOs) for determining eligibility for duty free entry is the 50 per cent local content rule adopted in CER. The exceptions to this

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<sup>4</sup> *Ibid.*, p ii.

general rule are goods subject to an Australian Tariff Concession Order by virtue of not being made in Australia, and a list of approximately 100 electrical and electronic items. These goods will be subject to a 30 per cent local content rule. Pursuant to the TPNs, Australia and Singapore will review SAFTA's ROOs if they have not resulted in a large proportion of Singapore's exports to Australia that were dutiable before SAFTA's entry into force having become duty free.

Australia also recognised the special circumstances of Singaporean manufacturing, where offshore processing is a feature, by agreeing to the concept of "accumulation". The application of the accumulation rule means that Australian/Singaporean content in intermediate goods sent offshore for processing and returned before export, will be allowed in determining origin. Value added during offshore processing will not be allowed. The textiles, clothing and footwear and passenger motor vehicle sectors were excluded from the accumulation rule, since it was considered inappropriate to offer ROOs concessions to Singapore in these relatively highly protected Australian sectors. The jewellery sector was also excluded from the accumulation rule because of concerns that jewellery made outside Singapore would qualify as Singaporean in origin if made from high-value Australian/Singaporean precious metals.

Australian industry was consulted on ROOs concessions and supported the final offer.

Australian industry will benefit to the extent that SAFTA provides opportunities for Australian industry to gain access to duty free industrial inputs. By the same token, there could be increased competition for Australian industry from duty free products from Singapore, although this is not expected to be significant.



<b>Table 1: Imports from Singapore*, 2001-2002</b>				
<b>Entry Type</b>	<b>Duty Rate</b>	<b>Trade value \$m</b>	<b>% of total trade</b>	<b>Duty \$m</b>
MFN <sup>#</sup> , preferential <sup>†</sup> or concessional duty free	0%	3,362.55	86%	0
TCO <sup>φ</sup> (industrial goods)	3%	175.50	4%	5.27
MFN or preferential	≥4%	345.99	9%	18.45
Other	Variable	30.15	1%	0.79
<b>Total</b>		<b>3,914.19</b>	<b>100%</b>	<b>24.50</b>

\* Excludes anti-dumping duties and excise, where payable: these amounted to 1.35 % of the value of total imports from Singapore, and ASFTA will not affect these duties.

<sup>#</sup> Most Favoured Nation.

<sup>†</sup> Entry made under the Australian System of Tariff Preferences, applied to developing countries.

<sup>φ</sup> Tariff Concession Order.

SAFTA will also affect trade in goods in less direct ways. Costs of trading goods between Australia and Singapore should be reduced by promotion of paperless trading and improvement in visa arrangements for both short and long-term business visitors and residents. The provisions on mandatory technical regulations establish a framework for determining equivalence of Australian and Singapore standards and have the potential to reduce the costs of complying with each other's regime in the sectors that will be covered in Annexes to SAFTA and Annexes are under negotiations on food products and horticultural goods. This will build on the existing *Mutual Recognition Agreement on Conformity Assessment between the Government of Australia and the Government of the Republic of Singapore*, which provides for recognition of test results.

These cost reductions will allow Australian exporters to become more competitive in the Singaporean market. Similarly, they may make imports from Singapore cheaper, creating increased competition for Australian producers of like goods, while allowing for more efficient production for Australian manufacturing firms using such goods as inputs.

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Finally, the TPNs provide for Australia and Singapore to consider, at the first review, whether to incorporate in SAFTA commitments on non-discriminatory treatment of digital products – including software – and extension of this treatment to government procurement.

## *2. Trade in Services and Investment*

The most significant gains from SAFTA for Australian service providers are in the financial and legal service sectors, along with positive outcomes for education, environmental services and professional services (such as architects and engineers). Some of these gains are listed in the *Gains for Australia's Services Providers* box below. Moreover, SAFTA binds Singapore's current – and, in many cases, recently-liberalised - regulatory regime in a number of important service sectors. Thus, Singapore will not be able to introduce more restrictive measures in these areas, at least with respect to Australian service suppliers.

These gains were achieved much faster than would have been possible under the WTO. Furthermore, the framework of SAFTA ensures that commitments are more far reaching than those negotiated under GATS. For example, where GATS follows a positive list approach and does not cover all sectors in Singapore, SAFTA uses a negative list under which market access and national treatment obligations apply to all service trade, except for measures or sectors specified in annexed lists of reservations. This approach has a liberalising and transparent thrust in that all exceptions must be specifically reserved, or they are deemed to be liberalised.

### Gains for Australia's Service Providers

- Restrictions on the number of wholesale **banking licenses** to be eased over time
- More certain, and enhanced operating environment for **financial service** suppliers
- Conditions eased on establishment of joint ventures involving Australian **law firms**
- Number of Australian **law degrees** recognised in Singapore doubled from 4 to 8
- Improved commitments on **residency requirements** for Australian professionals
- Mutual recognition agreements between **architects** and **engineers** under way
- National treatment and market access commitments for Australian **education** providers
- Singapore Government overseas **scholarships** tenable at Australian universities
- The **environmental services** sector will be largely open to Australian businesses
- Open market access and national treatment for a range of other **service sectors**
- **Spouses** of business people can work as managers, specialists, office administrators

SAFTA is “GATS-plus” in relation to domestic regulation: SAFTA respects the right of governments to adopt domestic regulation affecting trade in services, but contains enhanced provisions on transparency and the processes for adopting such regulations, reflecting proposals which Australia has put forward in the WTO service negotiations.

Given these outcomes and the related benefits negotiated on investment - including better protection against expropriation and greater transparency regarding investment restrictions applying to Singapore's government-linked corporations - SAFTA creates a more liberal, transparent and predictable environment for Australian service exporters and investors in the Singaporean market. All this effectively reduces the risk of doing business in, and with, Singapore, and should lead to increased service exports and investment by Australian providers in one of East Asia's most advanced economies.

As noted above, the lack of reliable trade data for services makes quantitative estimates of the likely growth in Australian service exports to Singapore resulting from SAFTA difficult. Nevertheless, in its survey of Australian business' attitudes to an FTA with Singapore, Access Economics concluded, particularly in relation to the education and finance sectors, that service firms believe that a more liberal and predictable business environment in Singapore will deliver them significant benefits.

It could be argued that, inasmuch as SAFTA will provide similar regulatory transparency and predictability for Singaporean service exporters to Australia, it is possible that more Singaporean service providers will be encouraged to enter the Australian market, and Australian service suppliers will face increased competition. However, regulation of the Australian service sector was highly transparent and predictable by international standards before SAFTA and it is, therefore, unlikely that the implementation of SAFTA will result in a major increase of Singaporean service providers in any particular sector of the Australian service market. It is clear that most of Singapore's gains from SAFTA will come from Australia's elimination of tariffs, not from increased service exports. In any case, if there are any efficiency gains resulting from increased competition in the service sector, these are likely to be passed on in the form of lower prices to Australian businesses consuming the services affected, and the overall effect should be beneficial.

### *3. Telecommunications, Government Procurement and Other Areas*

Australian telecommunications firms will benefit from SAFTA in that it provides greater transparency of decision-making, rights of appeal, effective enforcement by the regulator in Singapore, non-discriminatory pricing for interconnection and consultations with industry in development of standards and policy.

SAFTA ensures that Australian firms will also have more secure access to Singapore's government procurement market. Although Australia is not a party to the WTO *Agreement on Government Procurement* (GPA), Singapore will match for Australia its commitments under GPA, guaranteeing non-discriminatory national treatment for Australian firms in tendering for government business with 47 Singapore ministries, agencies and statutory authorities. SAFTA guarantees this access without the limits on thresholds and product coverage that are included in GPA. The impact that SAFTA's

measures relating to government procurement on Australian government's can be found in the *Commonwealth Government* and *State and Territory Governments* sections below.

SAFTA also includes a framework to strengthen protection of intellectual property rights, including intellectual property rights in relation to government procurement, and to develop further cooperation between Australia and Singapore in this field.

SAFTA includes important outcomes on competition policy, which will encourage strengthening and development of the competition regime in Singapore, and will allow Australia to address specific anti-competitive practices. Furthermore, competitive neutrality provisions will improve the conditions for Australian companies seeking to penetrate and expand in the Singapore market in circumstances where a number of the incumbents are government-linked corporations with dominant market power. These measures will improve conditions for Australian firms doing business with Singapore.

#### ***SAFTA's Impact on Consumers***

This is likely to be wholly positive. Australian consumers are likely to benefit from cheaper imports from Singapore, where consumer goods are currently subject to import duties: video cameras are one example, while certain whitegoods also attract or incur duty payments. Consumers will also benefit from reduced prices for locally-manufactured products to the extent that those products use inputs imported from Singapore, and the duty savings accruing from SAFTA result in lower prices.

#### ***SAFTA's Impact on Australian Governments***

##### ***1. Commonwealth Government***

SAFTA will have two major impacts on the Commonwealth Government. These are related to: (i) revenue collection; and, (ii) reduced regulatory flexibility in some areas:

(i) *Table 1* above shows tariff duty collected from imports from Singapore in 2001 - 2002 of \$24.5 million. On this basis, the Department of the Treasury (Treasury) has estimated the financial impact of SAFTA on the Commonwealth Government.

Assuming that SAFTA would enter into force near the beginning of the 2003 - 2004 financial year, and that imports from Singapore would grow steadily over time in line with the domestic economy, Treasury produced the forecasts set out in *Table 2: Financial Impact (Table 2)* below of SAFTA's possible financial impact for the Commonwealth Government.

<b>Table 2: Financial Impact</b>			
	<i>Revenue</i>	<i>Impact on fiscal balance</i>	<i>Impact on underlying cash balance</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
2002-03	0	0	0
2003-04	-30	-30	-30
2004-05	-30	-30	-30
2005-06	-35	-35	-35
2006-07	-35	-35	-35

It should be noted that the potential economic growth that SAFTA may generate, and any additional taxation revenue resulting from that growth, were not factored into these estimates. Furthermore, it is not possible at this stage to identify to what extent imports from Singapore will not meet the 50 per cent rule of origin (30 per cent for a small number of products) in order to qualify for tariff-free entry. If a significant proportion of imports from Singapore does not meet the ROOs and, hence, continues to be subject to tariff duties, the estimate in *Table 2* above of SAFTA's impact on Commonwealth Government revenue may be overstated. It should also be noted that these estimates did not take into account possible additional losses in tariff revenue that could arise if imports from Singapore displace imports from other countries. SAFTA's true impact on the Commonwealth Government's tariff revenue will become clearer once SAFTA comes into force and mechanisms to administer ROOs are established. It should also be noted that, at this stage, the Australian Customs Service cannot predict what resources will be needed to verify origin and it is, therefore, not possible to cost them.

(ii) Although Australia's commitments on services (including telecommunications) and investment will not require any changes to existing measures in these areas, SAFTA does include binding commitments that go beyond our existing WTO obligations and

limit the Commonwealth Government's flexibility in adopting new regulations in some areas in the future. For example, SAFTA preserves our screening process for foreign investment (through the Foreign Investment Review Board), but binds the current thresholds for triggering prior approval of investment proposals. This is similar to commitments Australia has already made in the OECD. SAFTA also binds the current limits on foreign ownership of Telstra, Qantas, and other Australian international airlines. Hence, after entry into force of SAFTA, the Commonwealth Government will not be able to revise upward these thresholds and limits without adequately compensating Singapore as per the terms of SAFTA. Such compensation would normally be made by undertaking, with Singapore's consent, a new additional commitment under SAFTA, possibly in an entirely different sector.

The Government Procurement Chapter of SAFTA provides guarantees of non-discrimination against Singaporean firms bidding on Commonwealth Government contracts. Various types of procurement are excluded from SAFTA (such as overseas development assistance) and exceptions exist, *inter alia*, for defence equipment, environmental measures, and the use of government procurement for industry development purposes, including measures to assist small-to-medium-sized enterprises (SMEs). The TPNs note that such SME assistance measures include those currently listed in the *Commonwealth Procurement Guidelines (Guidelines)*. In essence, the Agreement does not require any change to the *Guidelines*, as the *Guidelines* are based on the value-for-money principle of which non-discrimination is an implicit part.

## 2. *State and Territory Governments*

SAFTA obligations in services and investment will also apply to State and Territory Government measures, but Australia has until the first review of SAFTA (one year after entry into force) to incorporate such measures into its lists of reservations.

It is not possible at this stage to identify which State and Territory measures will be reserved, but Singapore would expect – and WTO rules would require – that a relatively high percentage of trade-restrictive measures would be bound at existing levels. While Singapore will expect a reasonable level of commitment on State and Territory measures, it was clear from the course of the negotiations that Singapore's concerns regarding service sector regulation were primarily at the Commonwealth level

(for example, in telecommunications regulation), rather than at the State and Territory level.

SAFTA government procurement obligations do not apply to procurement by State and Territory Governments. However, the Commonwealth has undertaken to encourage the State and Territory Governments to consider joining SAFTA by the time of its first review.

### *Strategic Policy Considerations*

SAFTA represents a valuable instrument to pursue Australia's goal of engagement and closer economic integration with East Asia. Together with the ongoing negotiations on an FTA with Thailand, SAFTA provides impetus to Australia's continuing efforts to build a closer economic partnership with ASEAN. This, in turn, will be important in linking Australia to developments that result from strengthened cooperation between ASEAN and Australia's trading partners in North Asia - China, Japan and South Korea.

## **CONSULTATIONS**

The Trade Minister, Mr Mark Vaile, DFAT officers and officers from other Departments undertook extensive public consultations in the lead up to the commencement of discussions on SAFTA and throughout subsequent negotiations. These included regular discussions with business and industry, State and Territory Governments and interested non-government organisations. Consultations on SAFTA occurred frequently as part of forums covering broader trade policy, such as the National Trade Consultations process and the Trade Policy Advisory Council.

Consultations with Australian business and industry representatives have taken place in State and Territory capitals, Canberra and Singapore. The Trade Minister held a roundtable discussion with industry leaders at Parliament House on 8 February 2001. Subsequently, Commonwealth Department negotiators consulted industry peak organisations (such as the Australian Chamber of Commerce and Industry), a wide range of individual firms, and members of the Singapore-Australia Business Council.



Commonwealth Department negotiators visited State and Territory Governments to speak to Departments of Premier and Cabinet and Departments of Commerce, Industry and State Development (and equivalents). There were regular briefings of States and Territories through the National Trade Consultations process. There were regular consultations on commitments that required State and Territory approval, including roundtable discussions with States and Territories on 5 September 2001, 26 July 2002, and 9 October 2002. Consultations are continuing with State and Territory agencies with a view to finalising their lists of reservations.

The stakeholders consulted were broadly supportive of a truly liberalising and comprehensive SAFTA; Australian manufacturers, for example, generally supported the removal of the remaining tariff barriers to Singapore imports because of the opportunities this would present to reduce input costs. There was a degree of concern from particular sectors (for example, the plastics and chemicals industry) about increased competition from duty free imports from Singapore. However, industry, as a whole took, the view that removal of tariffs was acceptable provided that SAFTA included ROOs that ensured only goods genuinely originating from Singapore would benefit from preferential arrangements.

## **IMPLEMENTATION AND REVIEW**

Following approval by the Governor-General in Council, SAFTA was signed by the Minister for Trade and his Singaporean counterpart in Singapore on 17 February 2003.

Once domestic processes including examination by the Joint Standing Committee on Treaties are completed, SAFTA will enter into force by exchanging diplomatic notes with Singapore. Tabling in Parliament at the beginning of the first sitting session in 2003 should enable SAFTA's entry into force about the middle of 2003. A number of industry organisations have expressed an interest in having SAFTA enter into force at an early date.

The first review of SAFTA will take place within one year of entry into force. Australia has been given until this time to incorporate the reservations covering State and Territory measures. After the first review, State and Territory measures will be

subject to the national treatment and market access provisions of the Investment Chapter and Trade in Services Chapter of SAFTA.

It is likely that Australian and Singaporean Trade Ministers, as well as trade officials from each country, will be involved in the first review. The review will consider the implementation and outcome of SAFTA to date, and any difficulties that have arisen. As noted above, the TPNs that will be exchanged at the time of entry into force of SAFTA identify a number of issues that Australia and Singapore have agreed should be included in the first review. The Australian delegation will take into account the views of stakeholders such as industry and relevant government agencies for the first review.

Subsequent reviews of SAFTA will take place biennially, or as agreed between Australia and Singapore.