

# **SINGAPORE – AUSTRALIA FREE TRADE AGREEMENT AMENDMENTS**

## **Documents tabled on 15 March 2005:**

**National Interest Analysis [2005] ATNIA 5  
with attachment on consultation**

**Text of the proposed treaty action**

### **Background information:**

Singapore political brief

Singapore fact sheet

List of other treaties with Singapore

List of treaties of the same type with other countries

## **NATIONAL INTEREST ANALYSIS: CATEGORY 1 TREATY SUMMARY PAGE**

### **Singapore – Australia Free Trade Agreement Amendments**

#### **Nature and timing of proposed treaty action**

1. Subject to Executive Council approval, Australia will sign two of the Singapore-Australia Free Trade Agreement (SAFTA) Amendments; the Food Annex and the Horticultural Annex. The package of SAFTA Amendments will enter into force with an exchange of notes confirming completion of the Parties' respective domestic procedures. This will take place following completion of the Joint Standing Committee on Treaties' review.
2. SAFTA provided for Ministerial review of the Agreement one year after entry into force and biennially thereafter. The first Ministerial Review meeting took place in Sydney on 14 July 2004.
3. SAFTA allows for the Agreement to be amended to ensure the Agreement remains relevant and able to offer additional benefits to business. The amendments to SAFTA now proposed represent those agreed at the first Ministerial Review on additional measures to be incorporated into SAFTA.

#### **Overview and national interest summary**

4. The SAFTA Amendments contain specific commitments on recognition of law degrees, government procurement, rules of origin, sanitary and phytosanitary measures and horticultural goods.
5. Singapore was Australia's eighth largest merchandise trading partner in 2004. In 2004, merchandise exports to Singapore were valued at A\$3.26 billion and imports were A\$6.23 billion. Australian services exports to Singapore were valued at A\$2.24 billion in 2004 and services imports were valued at A\$2.63 billion. Over the past five years, the Singaporean economy has, on average, grown 3.5 per cent per year.
6. Article 3 of Chapter 17 (Final Provisions) stated that the first review of SAFTA should take place within a year of the date of entry into force of SAFTA. SAFTA entered into force on 28 July 2003 and the first Ministerial Review was held in July 2004. The aim of the first review was to consider jointly the implementation and outcomes of the agreement. Australian companies consulted during the SAFTA review process indicated ongoing review of areas covered by SAFTA, such as rules of origin, mutual recognition agreements, telecommunications and education, could potentially increase Australia's exports of goods and services to Singapore. These issues will be addressed in the context of the Forward Work Program agreed at the first SAFTA Review meeting.
7. The SAFTA Amendments will deliver additional benefits to Australia above those associated with SAFTA. The initiative to negotiate SAFTA reflected Australia's broader trade and economic interests in the Asian region. Singapore shares Australia's outlook on the value of trade liberalisation and expanding trade and investment links with regional neighbours. The SAFTA Amendments indicate an ongoing commitment by both countries to the trade liberalisation process.

## **Reasons for Australia to take the proposed treaty action**

8. The aim of the SAFTA review process is to keep SAFTA up to date and relevant to Australian and Singaporean business. The aim of regular reviews is to identify emerging issues for business in the two countries and build on the platform provided by SAFTA. The current amendments represent a balanced package of outcomes for Australia and Singapore.

9. Since SAFTAs entry into force, Austrade has helped 388 companies – including many new companies – enter the Singapore market with deals worth more than \$250 million.

10. Entry into force of the SAFTA Amendments will result in the number of Australian law degrees recognised in Singapore increasing from eight to ten; provide simpler arrangements for rules of origin; provide simpler arrangements for food standards by ensuring food standards in one country are recognised by the other as equivalent to their own; and include four new Australian government entities subject to the national treatment provision on procurement.

11. Implementation of the SAFTA Amendments will enhance Australia's broader trade, economic and security interests in the region. The successful negotiation of these new commitments signals strong support for ongoing trade liberalisation.

## **Obligations**

12. Under revised Article 11 of Chapter 3, Australia is obliged to amend the Customs Act 1901 to incorporate the changes to Certificates of Origin in relation to imports from Singapore. A Certificate of Origin may be used for a single shipment or for multiple shipments of goods, and is valid for one year from date of issue for single shipments and two years from date of issue for multiple shipments.

13. Under Article 10 of Chapter 5, Australia and Singapore have concluded sectoral annexes on food standards and horticultural products, following SAFTA's entry into force. The food standards annex requires recognition of the food standards of each party as equivalent. The horticultural products annex allows for the importation into Australia of fresh cut flowers, cut foliage without roots, and aquarium plants and ornamental plants without soil as a growing medium.

14. Under revised Annex 3A, Australia has added four new entities to the list of Australian government agencies subject to the national treatment provision on procurement. These agencies are the Inspector General of Taxation, the Office of Renewable Energy Regulator, the Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority) and the National Blood Authority.

15. Under revised Annex 4.III.II, Singapore will recognise law degrees from two additional Australian universities; Murdoch University and the University of Tasmania.

## **Implementation**

16. For Australia to fulfil its new commitments, the Customs Act 1901 will need to be amended to incorporate the changes to Certificates of Origin in relation to imports from Singapore.

## **Costs**

17. The proposed amendments will not introduce additional costs above what was associated with SAFTA at the time of entry into force.

18. The Treasury has estimated that the financial cost of SAFTA to the Commonwealth Government will amount to \$30 million a year in 2003-04 and 2004-05, and grow to \$35 million a year in 2005-06 and 2006-07. This estimate is based on the expected loss of tariff revenue from imports from Singapore, which are assumed to grow steadily over time in line with the domestic economy. The estimates do not take account of the scope for additional lost tariff revenue that could arise if imports from Singapore displaced imports from other countries. At the same time, the estimates do not take into account the potential economic growth that SAFTA may generate and any additional taxation revenue resulting therefrom.

## **Regulation Impact Statement**

19. The Office of Regulation Review (Productivity Commission) has been consulted and confirms that a Regulation Impact Statement is not required.

## **Future treaty action**

20. Article 3 of Chapter 17 (Final Provisions) provides for the regular review of SAFTA. The first review took place in July 2004. Other reviews will take place biennially thereafter.

21. A number of the chapters of SAFTA also contain provision for consultation and review of specific provisions.

22. Under Article 6 of Chapter 7 (Trade in Services), Article 3 and 4 of Chapter 7 will not apply to measures affecting trade in services maintained at the State and Territory levels until Australia's list of reservations has been amended to incorporate such measures (Article 3 and 4 of Chapter 7 relate to Market Access and National Treatment, respectively). Similarly, under Article 6 of Chapter 8 (Investment), Article 3 of Chapter 8 will not apply to measures affecting investment maintained at the State and Territory levels until the same time (Article 3 of Chapter 8 relates to National Treatment). Amendment of Australia's reservation lists at the State and Territory level is still being finalised through consultation with State and Territory Governments. A list of Australia's reservations are included in Annex 4-I(A) and Annex 4-II(A) of SAFTA. Annex 4-I reservations reserve the right to maintain existing restrictions/discriminations, but with the proviso that these measures cannot be made more restrictive in the future. Annex 4-II reservations reserve the right not only to maintain restrictions/discriminations for particular sectors but to introduce other restrictive measures for these sectors in the future.

23. In Article 22 of Chapter 7 (Trade in Services) both Parties agree to work towards a separate Open Skies Air Services Agreement.

24. It is envisaged that additional reservations or amendments agreed in the course of reviews of SAFTA would be subject to the Australian treaty process.

## **Withdrawal or denunciation**

25. Under Article 8 of Chapter 17 (Final Provisions) of SAFTA, either Party may terminate SAFTA by giving the other Party six months advance notice in writing. Termination of SAFTA would be subject to the Australian treaty process.

**Contact details**

South and South-East Asia Division  
Department of Foreign Affairs and Trade

## Singapore – Australia Free Trade Agreement Amendments

### CONSULTATION

1. The Department consulted with other interested Australian Government Departments through the IDC process. The Minister for Trade wrote to Federal Ministers whose portfolios were directly affected by the amendments.
2. The Minister for Trade also wrote to State and Territory Trade Ministers informing them of the amendments, with copies to State Premiers and Territory Chief Ministers.
3. The Department also sought business feedback on additional issues to be addressed at the first review of SAFTA and in the SAFTA forward work program. Business consultation meetings were held in all State capital cities, with the exception of Tasmania. Businesses were generally positive about SAFTA. State Governments and universities were interested in seeking recognition of more Australian law degrees, resulting in two extra universities being added to Singapore's list. Concerns were expressed regarding delays in issuing Certificates of Origin in Singapore, resulting in both Singapore and Australia agreeing to revise arrangements concerning Certificates of Origin for Singapore exports to Australia and the amendment of the relevant provisions of SAFTA. Some concerns will be addressed in the SAFTA forward work program and ongoing review process, such as the requirement for joint law ventures facing Australian law firms wanting to operate in Singapore, and Mutual Recognition Agreements between professional bodies.
4. Businesses consulted include:

Adelaide Convention Centre  
Auslink  
Austrade  
Australia – Singapore Business Council  
Australian Business Consultancy  
Australian Crocodile Products  
Australian Financial Markets Association  
Australian Industry Group  
Australian Stock Exchange  
Australian Venture Capital Association Limited  
Authorised Australian Reclaim Services  
Aviation Australia  
Business Council of Australia  
Business SA  
City of Brisbane Limited  
Clayton Utz  
Cochlear  
Council for International Trade and Commerce SA Inc  
CST Consulting  
Curtin University of Technology  
Deacons  
Department of Business, Industry & Resource (Northern Territory)  
Department of Business, Manufacturing and Trade (South Australia)

Department of Education and Training (Victoria)  
Department of Industry and Resources (Western Australia)  
Department of Infrastructure (Victoria)  
Department of Innovation, Industry and Regional Development (Victoria)  
Department of Public Works (Queensland)  
Department of State Development and Innovation (Queensland)  
Department of State and Regional Development (New South Wales)  
Department of the Premier and Cabinet (Western Australia)  
Downer EDI  
Faye Rouse International  
Finlaysons Lawyers  
Flinders University  
Food Adelaide  
Freehills  
Griffith University  
Guppytraders  
HOK  
Honeywell  
IDP  
Imagescope  
Imperial Finance  
Interarch  
International Business Consultants  
Invest Australia  
Jayhak  
Legal and Justice Project Alliance  
Little Creatures Brewing Pty Ltd  
Macquarie University  
Macquarie Corporate Telecommunications  
Marketing and Investment Partners  
MC Saatchi  
Mediamotion Australasia Pty Ltd  
Middletons Lawyers  
Mincom  
MinterEllison  
Monash University  
National Food Industry Strategy Ltd  
Ozean Investments  
Premier's Department (Queensland)  
RMIT  
Seafood Council (SA) Ltd  
Singapore Students Association at Flinders University  
South Australian Business Ambassadors Network  
State Chamber of Commerce (New South Wales)  
Swinburne University  
Tenix Defence Pty Ltd  
TransHose  
United Overseas Bank  
University of Adelaide  
University of New South Wales  
University of South Australia  
University of Sydney

Victorian TAFE International  
Western Australian Chamber of Commerce and Industry  
World of Opal



## **SINGAPORE POLITICAL BRIEF**

1. Singapore is a republic with a parliamentary system of Government and an elected President as the Head of State. Parliament is unicameral and has 84 elected members, one Non-Constituency Member of Parliament (NCMP) and nine Nominated Members of Parliament. The political scene in Singapore has been dominated by the People's Action Party (PAP) since 1959. The party has won ten general elections in succession. The population of 4 million (2000 census data) comprises three major ethnic populations: Chinese (77 per cent), Malay (14 per cent), and Indians (8 per cent). The official languages of Singapore are Malay, Chinese (Mandarin), Tamil and English. Malay is the national language and English is the language of administration.
2. Singapore has an open economy, with strong service and manufacturing sectors and excellent international trading links. Located at the crossroads of international trade routes, Singapore is the most economically successful and prosperous country of South East Asia. Since Singapore's independence in 1965, it has generally maintained strong GDP growth. Singapore's major industries include petroleum refining, electronics, oil drilling equipment, rubber products, processed food and beverages, ship repair, entrepot trade, financial services and biotechnology. Singapore is currently moving to reduce its reliance on the manufacture and export of electrical products by developing its chemical and petrochemical industries.
3. Singapore was a founding member of ASEAN. It is also a member of the United Nations, the Commonwealth, the World Trade Organization, APEC and the Non-Aligned Movement.
4. Singapore and Australia have a strong and productive bilateral relationship based on long-standing political, defence, educational, trade, tourism and Commonwealth links and a shared strategic outlook. Defence links with Singapore are significant and cooperative, based in part on our shared interest in enhancing regional security. A key element of the relationship is the access to Australian-based training areas provided to the Singapore Armed Forces. Singapore and Australia are both members of the Five Power Defence Arrangements.
5. Singapore is our largest trade and investment partner in ASEAN, and our eighth largest merchandise trading partner overall. In 2004, merchandise exports to Singapore were valued at A\$3.26 billion and imports were A\$6.23 billion. Australian services exports to Singapore were valued at A\$2.24 billion in 2004 and services imports were valued at A\$2.63 billion. Singapore was our sixth largest source of short-term visitors in 2004 (251,100 visitors).
6. Australian investment in Singapore was A\$11.9 billion as at 31 December 2003 and Singaporean investment in Australia was A\$22.1 billion. Some of the most notable non real estate investments over recent years include Singtel's acquisition of Optus in 2001, Singapore Investment Corporation's acquisition of the Mayne Group's portfolio of private hospitals in 2003, and Singapore Power's purchase of the TXU Corporation's assets in Victoria and South Australia in 2004.



# SINGAPORE

Fact Sheet

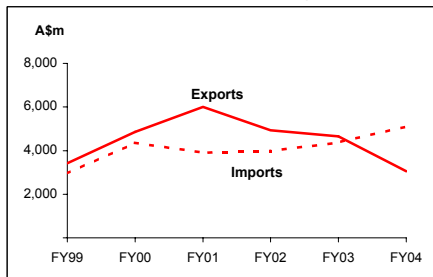
## General information:

<b>Capital:</b>	Singapore	<b>Head of State:</b>	H.E. President Mr S R Nathan
<b>Surface area:</b>	1 thousand sq km		
<b>Official languages:</b>	Malay; Chinese (Mandarin); Tamil; English	<b>Head of Government:</b>	H.E. Prime Minister Mr Lee Hsien Loong
<b>Population:</b>	4.2 million (2003)		
<b>Exchange rate:</b>	A\$1 = S\$ 1.1881 (Jun 2004)		

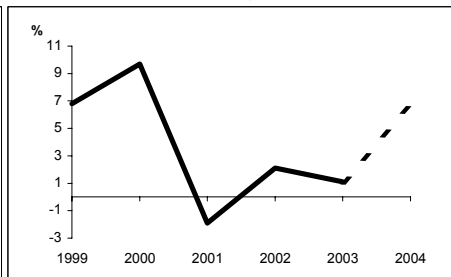
## Recent economic indicators:

	1999	2000	2001	2002	2003(a)	2004(b)
<b>GDP (US\$bn):</b>	82.4	92.6	86.0	88.3	91.3	98.4
<b>GDP per capita (US\$):</b>	21,280	23,070	20,820	21,180	21,790	23,310
<b>Real GDP growth (% change YOY):</b>	6.8	9.7	-1.9	2.1	1.1	6.6
<b>Current account balance (US\$m):</b>	15,184	13,280	16,137	18,704	26,352	22,036
<b>Current account balance (% GDP):</b>	18.4	14.3	18.8	21.2	28.8	22.4
<b>Goods &amp; services exports (% GDP):</b>	169.4	193.0	189.3	189.5	206.4	218.4
<b>Inflation (% change YOY):</b>	0.0	1.3	1.0	-0.4	0.5	1.7
<b>Unemployment rate (%):</b>	3.5	3.0	3.3	4.3	4.8	4.2

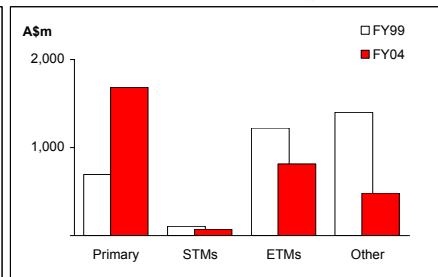
Australia's trade with Singapore



Real GDP growth



Australia's exports to Singapore



## Australia's trade relationship with Singapore:

### Major Australian exports, 2003-2004 (A\$m):

Crude petroleum	981
Non-monetary gold	303
Refined petroleum	173
Meat (excl. bovine)	118
Milk and cream	99

### Major Australian imports, 2003-2004 (A\$m):

Refined petroleum	2,066
Computers	505
Computer parts	251
Musical instruments	212
Organo-inorganic compounds	156

### Australian merchandise trade with Singapore, 2003-2004:

		<b>Total share:</b>	<b>Rank:</b>	<b>Growth (yoy):</b>
Exports to Singapore (A\$m):	3,056	2.8%	9th	-34.4%
Imports from Singapore (A\$m):	5,107	3.9%	6th	16.9%
Total trade (exports + imports) (A\$m):	8,163	3.4%	8th	-9.6%
Merchandise trade deficit with Singapore (A\$m):	2,051			

### Australia's trade in services with Singapore, 2003-2004:

		<b>Total share:</b>
Exports of services to Singapore (A\$m):	2,204	6.5%
Imports of services from Singapore (A\$m):	2,585	7.5%
Services trade deficit with Singapore (A\$m):	381	

## Singapore's global trade relationships:

### Singapore's principal export destinations, 2003:

1	Malaysia	15.8%
2	United States	14.3%
3	Hong Kong	10.0%
4	China	7.0%
5	Japan	6.7%
9	Australia	3.2%

### Singapore's principal import sources, 2003:

1	Malaysia	16.8%
2	United States	14.1%
3	Japan	12.0%
4	China	8.7%
5	Taiwan	5.1%
14	Australia	1.7%

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a) all recent data subject to revision; (b) EIU forecast.

Fact sheets are updated biannually; next update: May 2005

## **OTHER TREATIES BETWEEN AUSTRALIA AND SINGAPORE**

- Agreement between the Governments of the Federation of Malaya and the State of Singapore and the Government of the Commonwealth of Australia concerning the Exchange Postal Parcels subject to Trade Changes between Malaya and Christmas Island  
[1962] ATS 15
- Agreement between the Governments of the Federation of Malaya and the State of Singapore and the Government of the Commonwealth of Australia concerning the Exchange of Parcels by Parcel Post between Malaya and Christmas Island  
[1962] ATS 15
- Agreement with the Republic of Singapore relating to Air Services  
[1967] ATS 25
- Agreement with the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1969] ATS 14
- Exchange of Notes constituting an Agreement with the Republic of Singapore regarding External Defence under the Five Power Defence Arrangements  
[1971] ATS 21
- Exchange of Letters constituting an with the Republic of Singapore Extending the Operation of Article 18 (3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969  
[1975] ATS 18
- Cultural Agreement with the Republic of Singapore  
[1975] ATS 34
- Exchange of Notes constituting an Ageement amending the Agreement relating to Air Services of 3 November 1967  
[1976] ATS 6
- Exchange of Notes constituting an Agreement to further extend the operating of Article 18(3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income of 11 February 1969  
[1981] ATS 31

- Exchange of Notes constituting an Agreement with the Republic of Singapore amending the Agreement concerning the Provision of Treatment in Singapore Hospitals for Asian Residents of Christmas Island, 1968  
[1982] ATS 16
- Exchange of Notes constituting an Agreement with the Republic of Singapore to Terminate the Agreement concerning the Provision of Treatment in Singapore Hospitals for Asian Residents of Christmas Island of 27 June 1968  
[1985] ATS 31
- Exchange of Notes constituting an Agreement with the Republic of Singapore concerning the Status of Forces  
[1988] ATS 6
- Exchange of Notes constituting an Agreement to Further Extend the Operation of Article 18(3) of the Agreement with the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February of 1969  
[1989] ATS 26
- Exchange of Notes with the Republic of Singapore constituting an Agreement concerning Cooperation on the Physical Protection of Nuclear Material  
[1989] ATS 34
- Protocol amending the Agreement with the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969  
[1990] ATS 3
- Agreement with the Republic of Singapore concerning the Use of Shoalwater Bay Training Area and the Associated Use of Storage Facilities in Australia  
[1995] ATS 14
- Agreement with the Republic of Singapore for the Reciprocal Protection of Classified Information Transmitted between the Australian department of defence and the Singapore Ministry of Defence  
[1997] ATS 18
- Agreement with the Republic of Singapore concerning the Location of the RSAF Helicopter Squadron at the Army Aviation Centre, Oakey (Queensland)  
[1997] ATS 25
- Exchange of Notes constituting an Agreement to amend the Agreement with the Republic of Singapore concerning the Use of Shoalwater Bay Training Area and the Associated Use of Storage Facilities in Australia of 17 February 1995  
[1999] ATS 5

- Agreement with the Republic of Singapore concerning the Use of Shoalwater Bay Training Area and the Associated Use of Storage Facilities in Australia  
[2000] ATS 7
  - Mutual Recognition Agreement on Conformity Assessment with the Republic of Singapore  
[2001] ATS 9
  - Singapore-Australia Free Trade Agreement (SAFTA)  
[2003] ATS 16
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March 2005

## **TREATIES OF THE SAME TYPE WITH OTHER COUNTRIES**

- Australia New Zealand Closer Economic Relations - Trade Agreement (ANZCERTA)  
[1983] ATS 2  
and amendments:  
[1988] ATS 17  
[1988] ATS 18  
[1988] ATS 20  
[1988] ATS 27  
[1992] ATS 27  
[1994] ATS 39
- Agreement on Trade and Commercial Relations between the Government of Australia and the Government of Papua New Guinea (PATCRA II)  
[1991] ATS 37
- Australia-US Free Trade Agreement  
[2005] ATS 1
- Australia-Thailand Free Trade Agreement (TAFTA)  
[2005] ATS 2

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