

**SINGAPORE – AUSTRALIA FREE TRADE AGREEMENT,  
DONE AT SINGAPORE ON 17 FEBRUARY 2003, AND  
ASSOCIATED EXCHANGE OF NOTES**

**Documents tabled on 4 March 2003**

**National Interest Analysis**

**Text of the Singapore-Australia Free Trade Agreement**

**Agreed text of Third Person Notes**

**Regulation Impact Statement**

**Annexes:**

1. Consultations
2. Obligations
3. Singapore political brief
4. Singapore fact sheet
5. List of other treaties with Singapore
6. List of treaties of the same type with other countries

## **NATIONAL INTEREST ANALYSIS: CATEGORY B TREATY**

### **SUMMARY PAGE**

#### **Singapore – Australia Free Trade Agreement, done at Singapore on 17 February 2003, and associated exchange of notes**

##### **Date of Tabling of Proposed Treaty Action**

1. 4 March 2003

##### **Nature and Timing of Proposed Treaty Action**

2. Article 8 of Chapter 17 (Final Provisions) states that the Singapore-Australia Free Trade Agreement (SAFTA) 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.

##### **Overview and National Interest Summary**

3. SAFTA liberalises and facilitate trade and investment between the Parties. Each Party will eliminate tariffs on the import of those goods from the other Party that meet the Rules of Origin (ROOs) criteria. Each Party will also grant national treatment and market access to the services, and national treatment to the investments, of the other Party, except where specific measures or individual sectors are reserved.
4. SAFTA also contains specific commitments on intellectual property protection, customs procedures, electronic commerce, arrangements for the acceptance of the equivalence of mandatory requirements, competition policy, electronic commerce, government procurement, business travel and education cooperation that will further facilitate trade and investment.
5. Singapore was Australia's seventh largest trading partner in 2001-2002 with Australia's merchandise exports being valued at A\$4.9 billion and exports of services at A\$2.2 billion in that year. While the Singaporean economy experienced a significant dip in the wake of the East Asian economic crisis, a return to traditionally high levels of growth is predicted. The potential for increased exports of services (particularly financial, telecommunications, legal, educational and professional) to Singapore was identified by a number of the Australian companies consulted during the negotiations for SAFTA.
6. SAFTA will deliver substantial benefits to Australia across a range of areas as set out in the next section. The initiative to negotiate SAFTA also 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. Australia believes that the conclusion of a substantive and comprehensive FTA between the two countries will signal strong support for multilateral, regional and bilateral initiatives, help create an open global and regional trading environment and promote strength and stability in the region.

## **Reasons for Australia to Take the Proposed Treaty Action**

7. Entry into force of SAFTA will result in direct benefits for many sectors of the Australian economy. Some of these benefits include:

- . All Singapore's tariffs on Australian goods eliminated from entry into force, including on beer and stout
- . Reduced input costs for Australian firms sourcing inputs from Singapore
- . Restrictions on the number of wholesale banking licences to be eased over time
- . Conditions eased on establishment of joint ventures involving Australian law firms
- . The number of Australian law degrees recognised in Singapore doubled from four to eight
- . Removal/easing of residency requirements for Australian professionals
- . A framework for mutual recognition of professional qualifications
- . National treatment and market access commitments for Australian education providers
- . Singapore government overseas scholarships will be 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
- . Transparency of investment restrictions in Singapore's government-linked companies
- . Telecommunications regulators must operate in transparent manner and adopt effective sanctions
- . Australian telecommunications suppliers in Singapore will have rights of appeal
- . Australia firms receive national treatment in procurement by 47 Singapore government agencies
- . Protection of intellectual property supplied in government tender processes
- . Short term entry for Australian business people extended from one month to three
- . Long-term business residents in Singapore granted total stay up to at least 14 years
- . Spouses and dependents of Australian business people in Singapore will have the right to work as managers, specialists and office administrators
- . Commitment to address anti-competitive business practices
- . Competitive neutrality disciplines to apply to government-owned businesses
- . Cooperation on eliminating trade in goods infringing intellectual property rights
- . Measures to prevent the export of goods infringing copyright or trade marks
- . No customs duties imposed on bilateral electronic transmissions

- . Agreement to facilitate paperless trading in order to reduce business transaction costs
- . Cooperation on the investigation and prevention of infringements of customs law.

8. Although these economic gains from SAFTA will be significant for some sectors and firms, their impact on Australia's macroeconomic aggregates such as GDP, employment or net exports, is not expected to be large. This is because Singapore, though wealthy, is a relatively small economy (with a population of just over 4 million), and the bilateral trade relationship is already well developed. Benefits may also come from the raising of Australia's profile in Singapore that SAFTA will promote, encouraging further Singaporean investment in Australia.

9. Apart from these direct economic benefits, implementation of SAFTA will also enhance Australia's broader trade, economic and security interests in the region. A substantive and comprehensive FTA between the two countries will signal strong support for multilateral, regional and bilateral initiatives, help create an open global and regional trading environment and promote strength and stability in the region.

### **Obligations**

10. SAFTA is a broad agreement that will liberalise and facilitate trade and investment between the two Parties. Upon entry into force, each Party will eliminate tariffs on the import of goods from the other Party that meet the rules of origin criteria set out in the Agreement. Each Party will also grant national treatment and market access to the services, and national treatment to the investments, of the other Party, except where specific measures or individual sectors are specifically reserved in the Annexes to SAFTA.

11. SAFTA also contains commitments and disciplines on government procurement, intellectual property protection, regulation of the telecommunications sector, customs procedures, electronic commerce, arrangements for the acceptance of the equivalence of mandatory requirements, competition policy, electronic commerce, movement and temporary entry of business people and education cooperation that will further facilitate trade and investment between Australia and Singapore.

12. SAFTA provides for settlement of any dispute that may arise under the Agreement as well as provision for review of the Agreement within one year of its entry into force and biennially thereafter. A number of understandings between the Parties 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 at the time of entry into force.

13. **Annex 2** provides a detailed summary of the obligations of SAFTA.

### **Implementation**

14. For Australia to fulfil its obligations under SAFTA, the Customs Tariff Act 1995 and the Customs Act 1901 will need to be amended to incorporate the

preferential tariff rates that will apply to goods imported from Singapore under SAFTA.

15. 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 in these areas that go beyond our existing WTO obligations and limit the Government's flexibility in adopting new regulations in some areas in the future.

### **Costs**

16. 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. It is also assumed that SAFTA will enter into force near the beginning of the 2003-04 financial year. 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.

### **Consultations**

17. The proposed action will have an impact on the States and Territories. The Chapter on Trade in Services will be the most significant for State and Territory governments, and the Chapter on Investment is also directly relevant to them. SAFTA provides for a transition period such that the national treatment and market access obligations will not apply to the States and Territories until the first review of SAFTA, to be held one year after entry into force, at which time reservations covering the States and Territories may be incorporated into the Annexes to SAFTA. This provision was incorporated in recognition of the time required for consultation with, and within, the States and Territories to enable them to review all areas of relevant legislation and regulation before reservations affecting them are negotiated.

18. The States and Territories were consulted throughout the negotiations through meetings in capitals, joint meetings in Canberra and through other forums such as the National Trade Consultations. The Government will continue to consult very closely with the States and Territories in the process of developing and negotiating lists of reservations to the commitments in relation to the services and investment chapters.

19. **Annex 1** contains a comprehensive account of the consultations conducted regarding SAFTA.

### **Regulation Impact Statement**

20. A Regulation Impact Statement is attached.

### **Future Treaty Action**

21. Article 3 of Chapter 17 (Final Provisions) provides for the regular review of SAFTA. The first review will take place within one year of entry into force and biennially thereafter.

22. A number of the chapters of SAFTA also contain provision for consultation and review of specific provisions. Finally, the TPNs that will be exchanged at the time of entry into force also include agreement on the review of certain of the provisions of SAFTA.

23. 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 one year after entry into force of SAFTA, when Australia's list of reservations will need to be amended to incorporate such measures. 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.

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

25. Under Article 10 of Chapter 5 (Technical Regulations and Sanitary and Phytosanitary Measures), the Parties shall conclude as appropriate Sectoral Annexes providing for arrangements for the acceptance of the equivalence of mandatory requirements.

26. 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**

27. Under Article 8 of Chapter 17 (Final Provisions), 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**

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