

THE EU SINGAPORE FREE TRADE AGREEMENT EXPLAINED

The path to realizing the EU-Singapore Free Trade Agreement (EUSFTA) was not an easy one. The European Commission (EC) started in 2007, preliminary FTA negotiations with the Association of Southeast Asian Nations (ASEAN), but all came to naught. The Commission considered therefore that bilateral agreements could serve as building blocks for a region-to-region strategy. As a result, in March 2010 the Commission initiated negotiations with Singapore, the most developed of the ASEAN States, which were concluded in October 2014.

On 10 July 2015 the Commission referred to the Court of Justice of the EU (CJEU) the question on the allocation of competences between the EU and its Member States. The Commission sought an opinion on whether the EU had exclusive competence to sign and conclude EUSFTA alone.

In an effort to take into account both the new investment approach and the opinion of the CJEU, the negotiations between the Commission and Singapore have led to the splitting of the EUSFTA. On 18 April 2018, the EC presented two agreements: 1/ an EU-Singapore trade agreement, over which the EU would have exclusive competence and 2/ a mixed EU-Singapore investment protection agreement that falls under shared competence and therefore should be ratified by both the EU and its Member States.

The EU-Singapore Trade Agreement deals with trade and foreign direct investment (FDI) liberalisation. It is a 'new generation' trade agreement, with an ambitious, comprehensive scope. It covers areas such as tariff liberalisation; reduction of non-tariff trade barriers; and promotion of services and investment. Other trade-related issues include, for example, stronger protection for certain geographical indications (GIs), based on a register of GIs. The agreement will also provide improved access to government procurement opportunities. The EU-Singapore Investment Protection Agreement encompasses investment protection and investment protection dispute resolution.

THE EU-SINGAPORE TRADE AGREEMENT

The EU-Singapore trade agreement is one of the first 'new generation' bilateral agreements. On top of the classical removal of customs duties and non-tariff barriers for trade in goods and services, it contains important provisions on intellectual property protection, investment liberalisation, public procurement, competition and sustainable development.

The agreement establishes the conditions for EU businesses to take full advantage of the opportunities created in Singapore as the business and transport hub of Southeast Asia.

THE RATIONALE FOR AN EU-SINGAPORE FTA

For Singapore, a deal with the world's largest trading bloc is naturally attractive. Singaporean firms will be given secure access to 500 million consumers in 28 EU Member States. As a result, EU importers and consumers will get better access to goods and services from Singapore, including those produced by European firms established there.

As for the EU, Singapore is by far its largest trading partner in the region, accounting for about a third of EU-ASEAN trade in goods and services, and for more than three-fifths of investment stocks between the two regions. Over 9000 EU companies have set up their regional hub in Singapore. In this sense, the EU, by starting its bilateral ASEAN FTAs with Singapore, supports many European exporters.

The EUSFTA paves the way for comprehensive FTAs with other ASEAN countries, and ultimately an agreement with the entire region. Those projects would be less likely to materialise had the EU failed to secure a good deal with Singapore as the regional trendsetter.