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The U.S.-Singapore Free Trade Agreement

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U.S.-Singapore Free Trade Agreement

Summary

The United States and Singapore have completed negotiations on a free trade agreement (FTA) that would, with a phase-in period, eliminate tariffs on all goods traded between them, cover trade in services, and protect intellectual property rights. In June 2003, the Office of the U.S. Trade Representative sent the draft implementing bill to the House Ways and Means and Senate Finance Committees. Both committees reportedly plan to hold mock-markups for the implementing bills.

So far, the agreement has received support from the business community and consumer organizations but has been criticized by labor and some environmental interests. Some of the specific concerns raised deal with the restrictions on penalties for unresolvable disputes over labor and environmental issues, the Integrated Sourcing Initiative, potential capital controls, and chewing gum. A basic policy issue with respect to the FTA is whether the United States should pursue free trade and investment relations on a bilateral basis rather than maintaining existing trade and investment practices on both sides or pursuing more liberalized trade relations through other means. Also at issue is the extent to which the U.S.-Singapore FTA language should be used as a model for other agreements.

Negotiations for the U.S.-Singapore Free Trade Agreement were launched under the Clinton Administration in December 2000. The FTA would be the fifth such agreement the United States has signed and the first with an Asian country. According to the U.S. Trade Representative, the FTA has broken new ground in electronic commerce, competition policy, and government procurement. It also includes what the U.S. Trade Representative reportedly considers to be major advances in intellectual property protection, environment, labor, transparency, customs cooperation, and transshipments.

The U.S.-Singapore FTA is of interest to Congress because (1) it requires congressional implementation under expedited Trade Promotion Authority legislative procedures; (2) if implemented, it would continue the trend toward greater trade liberalization and globalization; (3) it contains a new approach to imposing penalties for unresolvable environmental and labor disputes; and (4) it may affect certain trade flows that would, in turn, affect U.S. businesses, particularly import-competing industries.

Since Singapore is a relatively small economy, the economic effects of the U.S.-Singapore Free Trade Agreement, by themselves, are not likely to be great. The agreement would allow greater access to Singapore's service sector and could potentially set a standard for additional free trade agreements (FTAs) with other nations. The debate over implementation of the FTA is falling between business and free trade interests who would benefit from more liberalized trade, particularly in services, and labor or anti-globalization interests who oppose more FTAs because of the overall impact of imports on jobs and the general effects of globalization on income distribution, certain jobs, and the environment. Specific provisions of the agreement also have generated debate. This report will be updated as circumstances warrant.

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U.S.-Singapore Free Trade Agreement

The United States and Singapore have signed a free trade agreement (FTA) that would, with a phase-in period, eliminate tariffs on all goods traded between them, cover trade in services, and protect intellectual property rights. On January 30, 2003, the White House notified Congress of its intent to enter into the FTA.¹ As required under Trade Promotion Authority (TPA or fast-track) procedures, this notification was done more than 90 days prior to the May 6, 2003 signing of the agreement. The U.S. Trade Representative (USTR) has released the text of the agreement on its web site.² Among the 31 Administration trade advisory committees, only the Labor Advisory Committee did not endorse the FTA.³ In June, the USTR sent draft implementing legislation to the House Ways and Means and Senate Finance Committees.⁴ Both committees reportedly intend to hold mock-markup sessions for the implementing bills.⁵

Negotiations for the U.S.-Singapore Free Trade Agreement were launched under the Clinton Administration in December 2000⁶ and have continued under the Bush Administration. The FTA would be the fifth such agreement the United States has signed and the first with an Asian country. It continues a push by both administrations to open markets abroad for U.S. exports and corporate activity. The Clinton Administration emphasized U.S. access to “Big Emerging Markets”; the Bush Administration has emphasized the strategy of “competitive liberalization” that, in turn, is based on an overall trade philosophy that links a free enterprise international economic policy with U.S. foreign policy (particularly counter-terrorism) as well as its attempts to foster a dynamic and competitive American economy through unregulated markets. Competitive liberalization means that the Administration is pursuing trade liberalization on global, regional, and bilateral fronts. In doing so, it is attempting to create a competition in liberalization under which those countries ready to take the actions necessary to enter into a FTA with the

¹ The White House. Notice of Intention to Enter Into a Free Trade Agreement with Singapore, January 30, 2003. (H. Doc. 108-29) This action was pursuant to sections 2103(a) and 2105(a) of the Trade Act of 2002 (P.L. 107-210).

² Available at [<http://www.ustr.gov>].

³ Trade Reports International Group. Endorsing the FTAs. *Washington Trade Daily*, Vol. 12, No. 44, March 3, 2003.

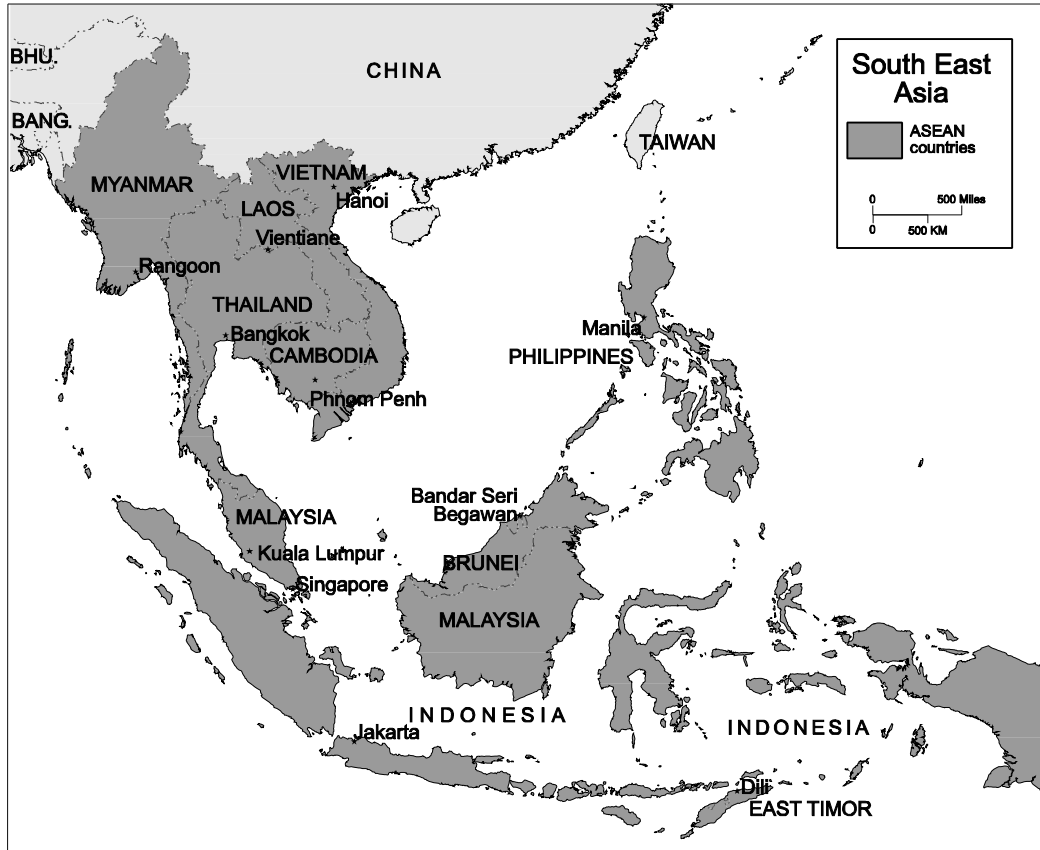
⁴ USTR Submits Draft Singapore Implementing Bill, Senate Eyes Early July for Mock-Markup. *Inside U.S. Trade*, June 20, 2003.

⁵ House Mock Markup for Singapore FTA Could Be Held by Thursday. *Inside U.S. Trade*, June 24, 2003.

⁶ For information on U.S.-Singaporean relations, see CRS Report RS20490, *Singapore: Background and U.S. Relations*.

United States can do so. This then sets up a competition in which others follow or are left behind.⁷

As initiated, the U.S.-Singapore FTA was to be modeled after the U.S.-Jordan FTA and is to eliminate tariffs on all goods over time and cover substantially all services sectors. According to the U.S. Trade Representative, the FTA has broken new ground in electronic commerce, competition policy, and government procurement. It also includes what the USTR reportedly considers to be major advances in intellectual property protection, environment, labor, transparency, customs cooperation, and transshipments.⁸



The U.S.-Singapore FTA is of interest to Congress because (1) it would require congressional approval under expedited legislative procedures as established in P.L. 107-210 which granted the President Trade Promotion Authority; (2) if implemented, it would continue the trend toward greater trade liberalization and globalization; (3) it contains a new approach to handle environmental and labor disputes; (4) it may affect certain trade flows that would, in turn, affect U.S. businesses, particularly import-competing industries, such as electronics equipment and other machinery; and

⁷ Zoellick, Robert B. So What Is There to Cover? Globalization, Politics, and the U.S. Trade Strategy. Address to the Society of American Business Editors and Writers, Phoenix, Arizona, April 30, 2002.

⁸ Rahil, Siti. U.S., Singapore Strike FTA Deal. Kyodo News Service, November 19, 2002.

(5) parts of the FTA may be used as a model for agreements with other nations. Some of the specific issues in the FTA also are being disputed.

Some observers see a U.S.-Singapore FTA as a step toward realization of the Asia Pacific Economic Cooperation (APEC) forum's "Bogor Vision," under which the United States and APEC's other 21 members are working toward "free and open trade in the Pacific." It also is in accord with the Enterprise for ASEAN Initiative, a new trade initiative with the Association of Southeast Asian Nations in which the United States has offered the prospect of FTAs with those countries committed to economic reforms and openness.

In March 2002, the U.S.-ASEAN Business Council and the U.S. Chamber of Commerce announced the formation of a U.S.-Singapore FTA Business Coalition with 75 members and chaired by Boeing, ExxonMobil, and UPS to support the FTA.⁹ In Congress, the Singapore Congressional Caucus was formed in 2002 with Rep. Curt Weldon and Rep. Solomon P. Ortiz as Co-chairs. As of early 2003, it included 59 Members and Delegates of the House of Representatives.

General opposition to the FTA is primarily from labor, anti-globalization, and some environmental interests. Specific provisions also are being debated, particularly if those provisions are to be used as a template for future FTAs with other nations. The AFL-CIO, for example, opposes additional FTAs in general. Its position (that reflects certain concerns of its member labor unions) is that free trade agreements (such as the North American Free Trade Agreement) have cost hundreds of thousands of American jobs and have eroded the bargaining power of workers. The AFL-CIO also contends that free trade has led to wholesale destruction of the environment in many developing countries and has widened the income gap between the world's richest and poorest citizens.¹⁰ The specific provisions in the agreement that are being disputed, such as the temporary business visas, Integrated Sourcing Initiative, chewing gum, and capital controls, are discussed later in this report.

In June 2003, the U.S. International Trade Commission (ITC) released the results of its investigation into the probable economic effects of a U.S.-Singapore FTA.¹¹ It concluded that the economy-wide effects on U.S. trade, production, and economic welfare of the FTA tariff reductions are likely to be negligible to very small. The report explained that this is not an unexpected finding given the open trade relationship, small trade and bilateral investment flows relative to U.S. trade and investment worldwide, and Singapore's small economy relative to that of the United States. At the sectoral level, the report concluded that some sectors of the U.S. economy likely would experience increased import competition from Singapore, while other sectors likely would experience increased export opportunities in Singapore. However, any such increases would be from a very small base, given

⁹ See U.S.-Singapore FTA Business Coalition at [<http://www.us-asean.org/ussfta/index.asp>].

¹⁰ AFL-CIO. *The Cost of Unfair Trade*. c2003. [<http://www.aflcio.org/issuespolitics/globaleconomy/trade.cfm>].

¹¹ U.S. International Trade Commission. *U.S.-Singapore Free Trade Agreement: Potential Economy and Selected Sectoral Effects*, USITC Publication 3603, June 2003, [<http://www.usitc.gov/wais/reports/arc/w3603.htm>].

Singapore's small economy and small market size, and thus have a minimal impact on production, prices, or employment in corresponding U.S. sectors. By the year 2016, the ITC estimated the effects to be greater for U.S. exports of vegetables, fruits, and nuts; meats; and other processed foods. For U.S. imports, impacts most likely would be greater for electronic equipment and other machinery and equipment. U.S. imports of textiles, apparel, and leather products were estimated not likely to increase significantly because of the requirements for rules of origin in the FTA.

Legislative Procedures

The act providing Trade Promotion Authority (TPA) to the President (P.L. 107-210) contained certain consultation and notification requirements in order for international trade agreements to be considered by Congress under expedited procedures. The requirements include the following:¹²

- at least 90 calendar days before entering into a trade agreement, the President must notify Congress of the intent to enter into the agreement;¹³
- at least 90 calendar days before entering into the trade agreement, the President must notify the revenue committees of possible changes to U.S. trade remedy laws;
- no later than 30 days after the President notifies Congress of the intention to enter into a trade agreement, private sector advisors must submit their reports on the agreement;
- within 60 days of entering into a trade agreement, the President must submit to Congress a description of changes to existing laws; and
- not later than 90 days after the President enters into an agreement, the ITC must submit a report assessing the likely impact of the agreement.¹⁴

Since the implementing bill and FTA agreement cannot be amended, both the House Ways and Means and Senate Finance Committees reportedly intend to hold mock (non-markup) markups and a non-conference conference to make changes to the draft implementing legislation. Non-markup markups are essentially the same as usual markups except they focus on draft legislation rather than formally introduced bills. Committee members have traditionally been able to offer amendments to the implementing legislation in such mock markups. The legislation

¹² This section is from CRS Electronic Briefing Book, *Trade*, page on “Trade Promotion Authority (Fast-Track Authority for Trade Agreements),” by Lenore Sek.

¹³ President George W. Bush. Message to the Congress of the United States, January 29, 2003.

¹⁴ U.S. International Trade Commission. U.S.-Singapore Free Trade Agreement: Potential Economy and Selected Sectoral Effects, USITC Publication 3603, June 2003, [<http://www.usitc.gov/wais/reports/arc/w3603.htm>].

that emerges from the non-conference conference would traditionally be what the White House presents to Congress as the implementing bill for the FTA.¹⁵

Once an implementing bill is introduced, if it meets the requirements of the TPA legislation, it is to be considered under the following expedited procedures:

- the implementing bill is to be introduced in each house on the first day each house meets after the President submits his draft bill;
- the bill is referred to the committees of jurisdiction, which have 45 days of session to report the bill; otherwise they are automatically discharged. However, since bills to implement trade agreements are usually revenue bills, the Senate committees must report the House bill and, for that reason, have an additional 15 days of session to report the bill;
- floor consideration is limited to 20 hours, equally divided and controlled, and each house must complete floor action within 15 days of session;
- no amendments may be offered to the implementing bill in committee or on the floor.

Background

Singapore is a city state located in Southeast Asia at the southern tip of Malaysia and across the Strait of Malacca from Indonesia. It has a population of 4.5 million, an area roughly 3.5 times the size of the District of Columbia, gross domestic product (GDP) of about \$100 billion, and per capita income of about \$30,500. It is a major trading country whose imports and exports each generally exceed its GDP. Singapore has been a major proponent of trade liberalization and supports the U.S. security role in Asia.

Singapore is America's largest trading partner in Southeast Asia with two-way trade of \$31.0 billion and a U.S. bilateral merchandise trade surplus in 2002 of \$1.4 billion (down from \$2.7 billion in 2001), a reversal from the deficit of \$1.4 billion in 2000. The United States generally runs a surplus in services trade with Singapore. Singapore is the 11th largest export market for the United States with \$16.2 billion in merchandise exports in 2002. It is the 16th largest source for goods imported into the United States with \$14.8 billion in 2002. The United States is Singapore's second largest trading partner (after Malaysia — Japan is third). As shown Table 1, in bilateral trade by sectors, the United States runs surpluses with Singapore in aircraft; electrical machinery; plastic; mineral fuel; instruments; miscellaneous chemical products; aluminum; dyes, paints, and putty; and iron and steel products. The U.S. incurs deficits with Singapore in machinery; organic chemicals; a special other category; knit apparel; special other import provisions; fish and seafood; woven apparel; and books and newspapers.

¹⁵ Rugaber, Christopher S. ISI Change to U.S.-Singapore FTA May East Congressional Approval. *International Trade Reporter*, vol. 20, June 5, 2003. P. 970-71. House Mock Markup for Singapore FTA Could Be Held by Thursday. *Inside U.S. Trade*, June 24, 2003.

Table 1. U.S. Merchandise Trade Balances With Singapore, 1999-2002, by Major Commodity Category

(Million dollars)

Commodity/Year	1999 Balance	2000 Balance	2001 Balance	2002 Balance
Total Bilateral Trade Balance	-1,944	-1,372	2,652	1,429
Machinery	-6,966	-5,020	-3,611	-3,848
Organic Chemicals	-199	-231	-463	-1,190
Special Other Class. Provisions	-423	-602	-463	-421
Knit Apparel	-252	-260	-228	-227
Special Import Provisions	-110	-116	-94	-88
Fish and Seafood	-50	-56	-49	-48
Woven Apparel	-64	-82	-58	-47
Books/newspaper/manuscripts	-54	-35	-46	-42
Tools, Cutlery of Base Metals	44	51	33	45
Edible Fruits and Nuts	34	42	40	47
Soap, Wax, Etc; Dental Prep.	35	45	39	50
Perfumery, Cosmetics, Etc.	46	53	60	52
Misc. Articles of Base Metal	14	32	54	58
Paper, Paperboard	78	84	59	60
Glass and Glassware	27	28	37	66
Vehicles, Not Railway	34	41	91	67
Inorgan.Chemicals/Rare Earths	58	71	73	92
Photographic/Cinematographic	93	104	83	95
Iron and Steel Products	97	95	91	96
Tanning, Dye, Paint, Putty	99	82	68	103
Aluminum	141	67	25	115
Misc. Chemical Products	278	341	259	285
Optical, Photo, Medical, Instr.	387	655	299	369
Mineral Fuel Oil	94	-47	264	443
Plastic	498	602	504	527
Machinery Electrical	2070	1,174	1,429	1,408
Aircraft, Spacecraft	1490	782	3,475	2,766

Source: Data from U.S. Department of Commerce. Categories are by 2-digit Harmonized System Codes.

Some 1,600 U.S. companies and close to 20,000 American citizens are located in Singapore.¹⁶ Many U.S. multinational corporations use Singapore as a regional headquarters and base to export around the world. The United States is Singapore's largest foreign direct investor, while Singapore is the second largest Asian investor

¹⁶US-ASEAN Business Council Interview with United States Ambassador to Singapore, Mr Frank Lavin and Singapore Ambassador to the United States Chan Heng Chee, January 28, 2003. Available at: [http://www.us-asean.org/Singapore/fta_interview.asp].

in the United States after Japan. As of the end of 2001, Singapore accounted for \$27.3 billion in American direct investment or 2.2% of total U.S. direct investment abroad. In 2001, Americans increased their direct investments in Singapore by \$2.97 billion of which \$1.35 billion was in retained earnings by existing U.S. companies there. In 2001, income from U.S. direct investments in Singapore totaled \$1.13 billion.¹⁷ For 2002, American direct investment outflows into Singapore totaled \$11.4 billion out of total U.S. capital outflows of \$119.7 billion.¹⁸

Singapore already has 99% free trade. Only beer and certain alcoholic beverages are subject to import tariffs. Singapore, however, does impose high excise taxes on distilled spirits and wines, tobacco products, and motor vehicles (which are all imported). These are aimed at discouraging consumption for environmental and health purposes. The government also bans chewing gum (it caused subway doors to jam). These practices are addressed in the FTA.

Singapore has implemented a free trade agreement with New Zealand (effective January 1, 2001) and with European Free Trade Area (effective January 1, 2003 that includes Iceland, Norway, Switzerland, and Liechtenstein), and in January 2002 concluded one with Japan that excludes agricultural products. The country also has completed FTA negotiations with Australia (signed on February 17, 2003) and is negotiating with Mexico (begun in July 2000) and Canada (begun October 2001) and on November 14, 2002, established a study group to explore a FTA with South Korea.

As a member of ASEAN, Singapore is a participant in The Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People's Republic of China (signed November 4, 2002). The Framework Agreement sets out how ASEAN and China are to cooperate in economic liberalization as well as economic cooperation. It marks the first stage of tariff reductions under the ASEAN-China FTA under which tariffs are to be reduced or eliminated by 2010 for ASEAN-6 (Singapore, Indonesia, Malaysia, the Philippines, Thailand, and Brunei), and 2015 for the newer ASEAN countries of Cambodia, Laos, Burma (Myanmar) and Vietnam.¹⁹

As for the United States, it also has low trade barriers except for certain protected sectors, such as light trucks and textiles and apparel. As shown in Table 2, in 2002, the United States collected an estimated \$87.5 million in duties on imports from Singapore of \$14,115.8 million for an average U.S. duty of 0.6%. This low average tariff comes from a combination of low duties on most products and relatively high duties on a few protected products. On knit apparel, for example, the United States collected \$43.4 million for an average duty of 18.6% and on woven

¹⁷ U.S. Bureau of Economic Analysis. U.S. Direct Investment Abroad, Historical-Cost Position and Related Capital and Income Flows, 2001. *Survey of Current Business*, September 2002, p. 68-97.

¹⁸ U.S. Bureau of Economic Analysis. U.S. Direct Investment Abroad: Country and Industry Detail for Capital Outflows, 2002. [<http://www.bea.doc.gov/bea/di/usdiacap.prn>]

¹⁹ Singapore. Ministry of Trade and Industry. ASEAN and the People's Republic of China. [http://www.mti.gov.sg/public/FTA/frm_FTA_Default.asp?sid=143].

apparel collected \$8.5 million for an average duty of \$16.3%. Average duties on miscellaneous food items at 7.3% and on plastics at 5.4% also were relatively high. On electrical machinery and equipment, duties averaged only 0.3% and on machinery 0.1%. Other duties fell in the range of 0.4 to 2.4%. The elimination of U.S. import duties under the FTA, therefore, would primarily affect duties on imports of apparel, miscellaneous food items, and to a lesser extent plastics.

The United States already has free trade agreements with Canada, Mexico, Israel, and Jordan and is negotiating FTAs with Central America, Australia, Morocco, the Southern Africa Customs Union, and Bahrain. The United States also is a member of APEC, an organization that is pursuing free trade and investment in the Pacific region, and has been in negotiations with 33 other Western Hemisphere countries to establish a Free Trade Area of the Americas. The Bush Administration notified Congress of its intention to sign a FTA with Chile at the same time it notified Congress of its intent to sign the FTA with Singapore. Given the trend toward negotiating more FTAs, the agreement with Singapore would give that country essentially the same status as the other nations who already benefit from (or may benefit from) free trade with the United States.

Table 2. U.S. Import Duties and Average Tariff Rates on Commodities Imported From Singapore, 2002
(Percent and Million Dollars)

HS	Commodity Description	Average Duty	Duties Collected
	Total Singapore	0.6%	\$87.5
61	Knit Apparel	18.6	43.4
98	Special Other	1.0	9.1
62	Woven Apparel	16.3	8.5
85	Electrical Machinery and Equipment	0.3	6.0
84	Machinery	0.1	4.1
39	Plastics	5.4	3.9
90	Optical, Medical Instruments	0.4	3.1
27	Mineral Fuels, Oils, etc.	1.6	2.5
29	Organic Chemicals	0.1	1.0
87	Vehicles, not Railway	2.4	0.8
38	Miscellaneous Chemical Products	2.4	0.8
21	Miscellaneous Food	7.3	0.6
40	Rubber	2.2	0.5

Source: Data from U.S. International Trade Commission

As for investment, Singapore generally has an open investment regime. At the end of 2001, the stock of U.S. foreign direct investment (FDI) in Singapore totaled \$27.3 billion (on a historical-cost basis). In 2001, direct investment outflows from the United States to Singapore rose to \$2.97 billion. U.S. FDI in Singapore is concentrated largely in manufacturing (\$14.72 billion, mostly in industrial machinery and equipment and electronics), finance (\$7.07 billion), and petroleum (\$1.92 billion).²⁰ As of 2001, Singapore had a net direct investment position in the United States of \$6.5 billion — down from \$7.75 billion in 2000. Most is in manufacturing (\$4.86 billion), real estate (\$1.12 billion), depository institutions (\$0.18 billion), and wholesale trade (\$0.13 billion).²¹

Provisions of the Agreement

The following information on the specifics of the agreement are primarily from its text and from news and other reports as well as information provided by the U.S. Trade Representative and Singapore Ministry of Trade and Industry.²² The agreement would establish a free trade area between the United States and Singapore consistent with the rules and obligations under the World Trade Organization.

Trade in Goods

Singapore is to apply zero tariffs immediately upon entry into force of the Agreement on all U.S. products, including beer and stout — the only items that had been subject to tariff protection (Article 2.2, Annex 2C). U.S. tariffs on 92% of Singaporean goods are also to be eliminated immediately with remaining tariffs phased out over eight years (Annex 2B). The sectors with the most benefit to Singapore include electronics, chemicals and petrochemicals, instrumentation equipment, processed foods, and mineral products.

Singapore agreed to allow the importation of **chewing gum** from the United States with therapeutic value for sale and supply subject to laws and regulations relating to health products (Article 2.11). This opens the way for imports of therapeutic types of American gum, possibly such as teeth whitening and nicotine gum designed to aid in smoking cessation, to be sold there — probably through pharmacies. Some news reports had indicated that prescriptions would be required to buy the gum, but that provision does not appear in the text of the agreement. Gum

²⁰ U.S. Bureau of Economic Analysis. U.S. Direct Investment Abroad, *Survey of Current Business*, September 2002, pp. 68-97.

²¹ U.S. Bureau of Economic Analysis. Foreign Direct Investment in the United States, *Survey of Current Business*, September 2002, pp. 38-67.

²² U.S. Trade Representative. Free Trade With Singapore, Trade Facts. December 16, 2002. On Internet at [<http://www.ustr.gov>]. Singapore. Ministry of Trade and Industry. Information Paper on the US-Singapore Free Trade Agreement (USSFTA), December 16, 2002. On Internet at [http://www.mti.gov.sg/public/home/frm_Mti_Default.asp].

has been banned in Singapore since 1992 as a measure to keep the city clean and subways safe.²³ U.S. interests have argued for liberalized sales of sugarless gum also.

Under the FTA, Singapore also is to harmonize its excise taxes on imported and domestic **distilled spirits** (Article 2.9) (to be carried out in stages and completed by 2005). High excise taxes on imported alcoholic beverages was considered by the United States to be the equivalent of an import duty.

For **textiles and apparel** (Chapter 5, Article 3.17), under the FTA, there would be an immediate elimination of tariffs for products that meet the yarn forward rule of origin. This requires the products to be made from U.S. and/or Singaporean originating yarn, with limited exceptions. For imports into the United States, all other assembly processes must be carried out in Singapore. (See “Rules of Origin” below.) The Singaporean industry is to work with U.S. yarn suppliers and is to restructure their manufacturing operations in order to benefit from the FTA. A “Tariff Preference Level” mechanism allows some amount of apparel exports from Singapore to be exempted from the yarn forward rule for eight years. For such exports, tariffs are to be phased out over five years. The United States also commits to introduce more liberal rules of origin for textiles in the FTA assuming further liberalization on rules of origin is achieved in the World Trade Organization. The agreement provides for extensive monitoring and anti-circumvention commitments by Singapore. The country is to establish a system to monitor the import, production, and export of textiles and apparel goods to include reporting, licensing, and unannounced factory checks so that only Singaporean textiles and apparel receive tariff preferences from the United States.

The Advisory Committee on Textiles and Apparel did not formally object to the prospect of eliminating duties and quotas on imports in this sector from Singapore. The committee pointed out that U.S. import quotas in textiles and apparel are due to be eliminated anyway on January 1, 2005 under the World Trade Organization (WTO) Agreement on Textiles and Clothing. The committee also did not anticipate that Singapore would become a major trading partner in the textile and apparel sector.²⁴

Antidumping or countervailing duties that have been imposed through unfair trade (such as unfair foreign pricing and government subsidies) or other domestic laws would not be covered by the FTA (Footnote 7-1). As of March 2003, the only antidumping duty order in place by the United States *vis-a-vis* products from Singapore was for ball bearings.²⁵

²³ Singapore’s chewing gum ban comes unstuck. BBC News. November 20, 2002. Also, interview with Singapore Embassy official, February 25, 2003.

²⁴ The U.S.-Singapore Free Trade Agreement (FTA), Report of the Industry Sector Advisory Committee on Textiles and Apparel (ISAC 15), February 2003. The WTO Agreement on Textiles and Clothing is at [http://www.wto.org/english/tratop_e/texti_e/texti_e.htm].

²⁵ Order date: May 15, 1989; continued on July 11, 2000. ITC Case No. A-396, Document Case No. A-559-801, Group No. 61 filed under Section 731 of the Tariff Act of 1930 (antidumping)..

Rules of Origin

As indicated in the provisions for textiles and apparel above, the agreement contains rules of origin designed to ensure that only U.S. and Singaporean goods benefit from the agreement (Chapter 3). These rules are vital since Singapore is a major transshipment port and also imports large quantities of primary and intermediate products that subsequently become part of exported items. Only exports with substantial transformation and value added done in Singapore can be conferred “Singapore origin” and qualify for the FTA tariff rates.

In the industry review of the FTA, the Industry Sector Advisor Committee on Textiles and apparel reported that the most significant interest and sharp division among Committee members revolved around the rules of origin and the issue of whether they might become a precedent for other trade agreements. **The fiber, yarn and textile members** largely supported the requirements of a yarn forward rule that grants benefits only to the signatories of the agreement, and not to third parties. They believe this condition is an appropriate precedent for future trade agreements, and since they felt it largely paralleled the North America Free Trade Agreement, it could create parity among U.S. trading partners. The industry did, however, express concerns over what they considered to be high tariffs levels in the stages of the agreement that could undermine the origin rules in the early years of the agreement.²⁶

In contrast, **apparel members** largely expressed disappointment with the FTA, because they considered the NAFTA rule of origin as restrictive and that it would be made worse by additional complications and burdens. They argued that the rule of origin discourages apparel trade among the beneficiary countries, which will in turn diminish sales opportunities for fabric and trim suppliers. They urged that the rule of origin in this FTA not be seen as a precedent for other FTAs.

The FTA provides for imported inputs used in the manufacture of the final product within Singapore to be classified under a different tariff classification from the final product. For some electronic products, the origin is Singapore if a certain percentage of the value added (typically 35-60%) is done in Singapore. Overhead activities performed in Singapore, such as R&D, design, engineering, purchasing, can count toward the value added. Chemicals and petrochemicals are to be considered of Singapore origin if a specified process occurs in Singapore — such as a specific chemical reaction. In order to claim tariff preferences under the FTA, the U.S. importer must declare that the good is of Singapore origin. Customs authorities on both sides are to provide advance rulings on the origin of goods.

The FTA contains an **Integrated Sourcing Initiative** [Article 3.2(1-2)], a provision that applies to items that already trade duty free for the two countries under the World Trade Organization’s Information Technology Agreement (signed by 29 nations). The integrated sourcing initiative also includes certain medical devices. The FTA list of products under the initiative comprise 155 line items from the tariff code and include products, such as automatic data processing machines, magnetic

²⁶ The U.S.-Singapore Free Trade Agreement (FTA), Report of the Industry Sector Advisory Committee on Textiles and Apparel (ISAC 15), February 2003.

discs, integrated circuits, video cameras, optical fibers, semiconductor manufacturing machinery, network equipment, and instruments and appliances used in medical sciences. Such products are to be treated as being of Singapore origin when they are shipped from Singapore. Qualifying information technology and medical components manufactured on the Indonesian islands of Batam or Bintan, in particular, and exported to the United States either in products assembled in Singapore or through that country would be considered to be of Singapore origin if they met the rules of origin requirement in the FTA. This initiative was included at the request of the U.S. side and is designed to help American companies capture the complementarities between Singapore and its suppliers and to eliminate extra paperwork, fees, and red tape.²⁷ It would have no effect on duties paid, but it would allow the articles to escape the U.S. customs user fees of about 0.23% of the value of the import.

Critics of the ISI as originally drafted pointed out, however, that since the FTA text did not restrict the application of the provision to the two Indonesian islands of Batam and Bintan, it potentially could be open to any nation, including China. In response to this concern, some language dealing with the ISI was deleted before the final agreement was signed. The draft language was in Article 3.2 of the agreement and referred to Annex II that in the final text is referred to as Annex 3B. It said, "A good listed in Annex II shall be considered an originating material for purposes of satisfying the requirements specified in Annex I" [rules of origin]. That sentence is absent in the final text. The final text states only that "Each Party shall provide that a good listed in Annex 3B is an originating good when imported into its territory from the territory of another Party. [Article 3.2 (1)]. The interpretation of this is still somewhat ambiguous.

Labor interests have also objected to this integrated sourcing initiative because the labor, environmental, or other provisions in the FTA would not apply to factories located outside of Singapore. Indonesia also would not be required to provide any reciprocal access to U.S. companies. There additionally is concern that the sourcing initiative may attract more U.S. investment to Indonesia to take advantage of the low labor and other costs there. The FTA also states that within six months after entry into force of the agreement, the Parties are to meet to explore the expansion of the product coverage covered by the sourcing initiative [Article 3.2(2)].²⁸

Under the FTA, the United States is to immediately waive its Merchandise Processing Fee for all Singaporean exports (currently worth \$30 million) and also its Vessel Repair Duty for Singapore (currently worth \$4 million).

²⁷ U.S. Trade Representative. USTR Zoellick to Visit China and Japan April 8-11. Press Release 02-41, April 7, 2002. Also, interview by author with Singaporean Embassy official, February 26, 2003.

²⁸ The U.S.-Singapore Free Trade Agreement. Report of the Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC), February 28, 2003. Polaski, Sandra. Serious Flaw in U.S.-Singapore Trade Agreement Must Be Addressed. Carnegie Endowment for International Peace Issue Brief. April 2003.

Trade in Services

Since Singapore already is basically a free-trade state, much of the negotiations over the FTA dealt with access to its services markets. The FTA is to accord substantial market access across each other's entire services sector, subject to few exceptions that must be in writing — the so-called negative list approach (Chapter 8). The exceptions deal with sectors that usually require government certification or licenses (lawyers, accountants), involve governmental institutions (airports, provision of social security, public hospitals, government corporations), or involve national policy (atomic energy). Appendix C lists the sectors reserved by each country.

Each country is to give treatment to the other country's services suppliers on a par with its own suppliers or other foreign suppliers. This equal and non-discriminatory treatment is to apply to both cross-border transactions (such as those delivered electronically or through the travel of services professionals) and to direct investments and foreign operations. The FTA also includes a mechanism to lock in future liberalization of exempted measures, including exempted measures of individual U.S. states.

In the FTA, traditional market access to services is supplemented by strong and detailed disciplines on regulatory transparency. Regulatory authorities are to be bound to high standards of openness and transparency, including consultations with interested parties before issuing regulations, providing advance notice and reasonable comment periods for proposed rules, and the publication of all regulations.

Market access commitments apply across a range of service sectors, including but not limited to:

- Financial services including banking, insurance, securities and related services
- Computer and related services
- Direct selling
- Telecommunications services
- Audiovisual services
- Construction and engineering
- Tourism
- Advertising
- Express delivery
- Professional services (architects, engineers, accountants, etc.)
- Distribution services, such as wholesaling, retailing and franchising
- Adult education and training services
- Environmental services
- Energy services

U.S. firms have the right to own equity stakes in entities that may be created if Singapore chooses to privatize certain government-owned services. The benefits of the FTA would be extended to all U.S. and Singaporean companies that are not shell companies, regardless of ownership.

U.S. Banks. The financial services chapter includes core obligations of non-discrimination, most-favored nation treatment, and additional market access obligations (Chapter 10). In Singapore, the current ban on new licenses for full-service banks (qualifying full banks) is to be lifted within 18 months, and within three years for “wholesale” banks that serve only large transactions. Licensed full-service banks are to be able to offer all their services at up to 30 locations in the first year and at an unlimited number of locations within 2 years. Locally incorporated subsidiaries of U.S. banks are to be able to apply for access to the local automated teller machine (ATM) network on commercial terms within 2.5 years. Branches of U.S. banks are to obtain access to the ATM network in 4 years.

U.S. Insurance Companies. U.S. insurance firms are to have full rights to establish subsidiaries, branches or joint ventures. Singapore is to end its prohibition on foreign firms supplying insurance from outside of Singapore. U.S. firms are to be able to sell marine, aviation and transport (MAT) insurance, reinsurance, insurance brokerage of reinsurance and MAT insurance, and insurance auxiliary services. A new principle of expedited availability of insurance services will mean that prior regulatory product approval will not be required for insurance sold to the business community. Expedited procedures are available in other cases when prior product approval is necessary. Branches of Singapore’s insurance companies, however, will still not be permitted to provide surety bonds for U.S. Government contracts.

Securities and Related Financial Services. U.S. financial institutions are to be able to offer financial services to citizens participating in Singapore’s privatized social security system under more liberal requirements. U.S. firms are to be able to provide asset and portfolio management and securities services in Singapore through the establishment of a local office or by the acquisition of local firms. U.S. firms are to be able to supply pension services under Singapore’s privatized social security system with liberalized requirements regarding the number of portfolio managers that must be located in Singapore. U.S.-based firms are to be able to sell portfolio management services through a related institution in Singapore. Singapore is to treat U.S. firms the same as local firms for the cross-border supply of financial information, advisory and data processing services.

Express Delivery Services. The FTA provides for liberalization of express delivery services and other related services (that are part of an integrated express delivery system) (Article 4.10). This is intended to allow a more efficient and expedited express delivery business in Singapore. Singapore commits that it will not allow its postal service to cross-subsidize express letters with revenues from its monopoly services.

U.S. Professionals. Singapore is to ease restrictions on U.S. firms creating joint law ventures to practice in Singapore and is to recognize degrees earned from four U.S. law schools for admission to the Singapore bar (Side letter on Legal Services). Singapore is to reduce its board of director requirements (on the make-up of boards of directors) for architectural and engineering firms and phase out capital ownership requirements for land surveying services. The requirements for registration and certification of patent agents in Singapore are to be liberalized. Both sides are to engage in consultations to develop mutually acceptable standards and

criteria for licensing and certification of professional service providers, especially with regard to architects and engineers (Article 15.9).

Telecommunications Market. The FTA includes a full range of commitments on telecommunications services and provides for open markets consistent with the regulatory regimes of the two nations (Chapter 9).²⁹ Users of each telecom network are guaranteed reasonable and non-discriminatory access including submarine cable landing stations, with transparent and effective enforcement by the telecommunications regulators. This is to prevent local firms from having preferential or “first right” of access to telecom networks. U.S. phone companies are to obtain the right to interconnect with networks in Singapore in a timely fashion and on terms, conditions, and cost-oriented rates that are transparent and reasonable. U.S. firms seeking to build a physical network in Singapore are to be granted non-discriminatory access to buildings that contain telephone switches and submarine cable heads. U.S. firms are to be able to lease elements of Singaporean telecom networks on non-discriminatory terms and to re-sell telecom services of Singaporean suppliers to build a customer base.

The FTA also opens rule-making procedures of Singapore’s telecom regulatory authority and requires publication of inter-connection agreements and service rates. Singapore is to make a commitment that when competition emerges in a telecom services area, that area is to be deregulated. The agreement specifies that companies, not governments, make technology choices, particularly for mobile wireless services, thus allowing firms to compete on the basis of technology and innovation, not on government-mandated standards. Both sides are to work toward implementing a comprehensive arrangement for the mutual recognition of conformity assessment for telecommunications equipment.

E-Commerce and Digital Products. (Chapter 14) Singapore and the U.S. agreed to provisions on e-commerce (electronic, Internet-based commerce) that reflect the issue’s importance in global trade and the principle of avoiding barriers that impede the use of e-commerce. The agreement establishes explicit guarantees that the principle of non-discrimination applies to products delivered electronically (software, music, video, or text), there by providing equal treatment to U.S. firms delivering digital products via the Internet. It also establishes a binding prohibition on customs duties charged on digital products delivered electronically, such as legitimate downloads of music, videos, software or text. For digital products delivered on hard media (such as a DVD or CD), customs duties are to be based on the value of the media (e.g., the disc), not on the value of the movie, music or software contained on the disc or other carrier medium.

The e-commerce text in the FTA makes binding a number of commitments that are now only voluntary or temporary in the World Trade Organization. It affirms that any commitments made related to services in the agreement also extend to the electronic delivery of such services, such as financial services delivered over the

²⁹ In 1997, the United States dropped most of its restrictions on the entry of foreign firms into U.S. non-broadcasting telecommunications and adopted an “open entry” standard for firms from World Trade Organization member countries, such as Singapore.

Internet. In essence, both sides agreed to the non-discriminatory treatment of digital products and the permanent duty-free status of products delivered electronically. This was the first time such commitments were included in an international trade agreement and may set a precedent for services liberalization efforts in the WTO and in other FTAs.

Investment. (Chapter 15) The agreement is to provide a secure, predictable legal framework for investors operating in each other's economy. All forms of investment are protected under the agreement unless specifically exempted. U.S. investors are provided treatment as favorable as local Singaporean investors or any other foreign investor. Pursuant to U.S. Trade Promotion Authority, the agreement draws from U.S. legal principles and practices to provide U.S. investors a basic set of substantive protections that Singaporean investors currently enjoy under the U.S. legal system.

Among the rights afforded to investors (consistent with those found in U.S. law) are due process protections and the right to receive a fair market value for property in the event of an expropriation. The agreement prohibits and removes certain performance-related requirements or restrictions on investors, such as limitations on the number of locations or requiring an investor to export a given level of goods and services as a condition for the investment.

The FTA ties investor protections to standards developed under customary international law, but environmentalists and business representatives reportedly differ on what this standard means and on whether it sets parameters that exceed or fall short of the standard in U.S. law (which TPA or fast-track legislation bound negotiators not to exceed). The Singapore FTA differs from the various clarifications to the North America Free Trade Agreement in that it obligates Singapore and the United States to give investors treatment in accordance with "customary international law" rather than in accordance with "international law." The latter was the formulation included in NAFTA which has been read by NAFTA panelists to include obligations under other international agreements such as the World Trade Organization. Such interpretations are explicitly rejected in the Singapore FTA by inclusion of text which holds that a breach of other provisions of the FTA or of other international accords does not constitute a violation of the minimum standard of treatment. The FTA also incorporates language from the clarification of NAFTA that says the customary international law minimum standard of treatment of aliens is the standard that investors must be accorded and that obligations in the agreement to provide "fair and equitable" treatment and "full protection and security" do not create substantive obligations over and above that standard.³⁰

Another matter of considerable dispute during the negotiations was investor rights. The issue concerned the recourse for investors should the government take their property or affect their operations in a way that violates the agreement. The FTA includes an investor-to-state mechanism under which investors aggrieved by government actions that are in breach of obligations under the FTA have the right to

³⁰ Treatment Standard for Investors Remains Problem in Singapore FTA. *Inside U.S. Trade*, March 14, 2003.

take the dispute directly to an international arbitration tribunal for resolution. This is to provide an impartial and transparent procedure for dispute settlement. Submissions to dispute panels and panel hearings are to be open to the public, and interested parties are to have the opportunity to submit their views. Singaporean investors who enter into investment agreements with the federal government, after the entry into force of the FTA, are to be able to take applicable disputes directly to international arbitration for resolution.

Intellectual Property Rights (IPR). (Chapter 16) According to the U.S. Trade Representative, the protection of copyrights, patents, trademarks and trade secrets under the FTA goes farther than previous free-trade agreements. The FTA also enhances enforcement of intellectual property rights. Non-discrimination obligations apply to all types of intellectual property. The FTA ensures government involvement in resolving disputes between trademarks and Internet domain names (important to prevent “cyber-squatting” of trademarked domain names). It also applies the principle of “first-in-time, first-in-right” to trademarks and geographical indicators (place-names) applied to products. This means that the first to file for a trademark is granted the first right to use that name, phrase or geographical place-name. It also streamlines the trademark filing process by allowing applicants to use their own national patent/trademark offices for filing trademark applications.

The FTA ensures that only authors, composers and other copyright owners have the right to make their works available online. Copyright owners maintain rights to temporary copies of their works on computers. (This was aimed at protecting music, videos, software, or text from widespread unauthorized sharing via the Internet). Copyrighted works and phonograms are protected for extended terms, consistent with U.S. standards and international trends. The FTA also contains anti-circumvention provisions aimed at preventing the tampering with technologies (such as embedded codes on discs) that are designed to prevent piracy and unauthorized distribution over the Internet. It also ensures that governments use only legitimate computer software (in order to set a positive example for private users). Singapore is to prohibit the production of optical discs (CDs, DVDs or software) without a source identification code unless authorized by the copyright holder in writing.

Under the FTA, protection for encrypted program-carrying satellite signals extends to the signals themselves as well as the programming. This is designed to prevent piracy of satellite television programming. Both sides agreed to criminalize unauthorized reception and re-distribution of satellite signals. The FTA also contains limited liability for Internet Service Providers (ISPs) — reflecting the balance struck in the U.S. Digital Millennium Copyright Act³¹ between legitimate ISP activity and the infringement of copyrights. In essence, both sides are to provide immunity to Internet service providers for complying with notification and take-down procedures when material suspected to be infringing on copyright is hosted on their servers.

The FTA provides for a patent term to be extended to compensate for up-front administrative or regulatory delays in granting the original patent, consistent with

³¹ PL105-304, Title II, Online Copyright Infringement Liability Limitation. 112 Stat. 2860 (Oct. 28, 1998).

U.S. practice. The grounds for revoking a patent are limited to the same grounds required to originally refuse a patent. This is to protect against arbitrary revocation. It also provides protection for patents covering biotech plants and animals. Singapore is to accede to the International Convention for the Protection of New Varieties of Plants. The FTA also provides for protection against imports of pharmaceutical products without a patent-holder's consent by allowing lawsuits when contracts are breached.

Under the FTA, test data and trade secrets submitted to a government for the purpose of product approval are to be protected against disclosure for a period of 5 years for pharmaceuticals and 10 years for agricultural chemicals. The FTA also closes potential loopholes to these provisions and is designed to ensure that government marketing-approval agencies will not grant approval to patent-violating products.

Under the FTA, there are criminal penalties for companies that make pirated copies from legitimate products. The Singaporean government guarantees that it has authority to seize, forfeit and destroy counterfeit and pirated goods and the equipment used to produce them. IPR laws are to be enforced against traded goods, including trans-shipments, to deter violators from using U.S. or Singaporean ports or free-trade zones to traffic in pirated products. The FTA mandates both statutory and actual damages under Singaporean law for IPR violations (as a deterrent against piracy) and provides that monetary damages be awarded even if actual economic harm (retail value, profits made by violators) cannot be determined. Singapore is to cooperate in preventing pirated and counterfeit goods from being imported into the United States.

Another IPR related issue deals with licenses to copy patented drugs. The FTA sharply restricts Singapore from using compulsory licenses to copy patented drugs and sets up new barriers to the import of patented drugs sold at lower prices in third countries. These provisions may strengthen protections for U.S. drug companies in ways that were explicitly disallowed in the World Trade Organization by the Doha declaration on intellectual property rights and public health.³² Some also claim that new limits on compulsory licensing of patented drugs could impede Singapore's ability to use cheaper generic alternatives. However, pharmaceutical industry representatives reportedly have welcomed the agreement's patent provisions.³³

Competition Policy. (Chapter 12) The FTA commits Singapore to enact a law regulating anti-competitive business conduct and to create a competition commission by January 2005. Specific conduct guarantees are imposed to ensure that commercial enterprises in which the Singapore government has effective influence will operate on the basis of commercial considerations and that such enterprises will not discriminate in their treatment of U.S. firms. That is, Singapore

³² The Doha Declaration states that each member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted. See: World Trade Organization. Doha Ministerial. Declaration on the TRIPS Agreement and Public Health. November 20, 2001.

³³ U.S.-Singapore FTA Tightens Compulsory License Rules for Medicines. *Inside U.S. Trade*, March 14, 2003.

commits to maintain its existing policy of not interfering with the commercial decisions of Government Linked Companies and also to provide annual information on those with substantial revenues or assets.

Government Procurement. (Chapter 13) Under the FTA, both sides are committed to allowing market access by service suppliers of the other country unless specifically reserved (a “negative list” approach in which U.S. and Singaporean firms are to gain nondiscriminatory access unless specifically excluded). The monetary thresholds for when government procurement disciplines apply are lowered for all procurement contracts for goods and non-construction services to \$56,190 (102,710 Singapore dollars) and for construction procurement contracts to \$6,481,000 (S\$11,376,000). These amounts are adjusted biennially for inflation. Under the 1997 Government Procurement Agreement in the World Trade Organization, both Singapore and the United States had already lowered their thresholds to \$178,000 for goods and non-construction services and to \$6,850,000 for construction services. Additional commitments by Singapore include strong and transparent disciplines on procurement procedures (such as requiring advance public notice of purchases) as well as timely and effective bid review procedures.

Customs Procedures. (Chapter 4) The U.S.-Singapore FTA is among the first U.S. trade agreements with specific, concrete obligations on how customs procedures are to be conducted. The agreement requires transparency and efficiency in customs administration with commitments to publish customs laws and regulations on the Internet and to ensure procedural certainty and fairness. Both parties agreed to share information to combat illegal trans-shipment of goods. In addition, the agreement contains specific language designed to facilitate clearance through customs of express delivery shipments.

Temporary Business Personnel and Workers. (Chapter 11) The FTA creates separate categories of entry for citizens of each country to engage in a wide range of business and investment activities on a temporary basis, *i.e.*, nonimmigrants. The FTA addresses four specific categories of temporary nonimmigrant admissions currently governed by U.S. immigration law: business personnel coming for up to 90 days; treaty traders; intracompany transfers; and professional workers. These categories parallel the visa categories commonly referred to by the letter and numeral that denotes their subsection in §101(a)(15) of the Immigration and Nationality Act: B-2 visitors, E-1 treaty traders, L-1 intracompany transfers, and H-1B professional workers.³⁴ Neither Party would be allowed to require labor certification or other similar procedures as a condition of entry and would not be able to impose any numerical limits on these categories, with some exceptions noted for the professional workers.³⁵ The FTA clearly states the desire to facilitate the temporary entry of

³⁴ For background, see CRS Report RS20916, *Immigration and Naturalization Fundamentals*, and CRS Report RL31381, *U.S. Immigration Policy on Temporary Admissions*, both by Ruth Ellen Wasem.

³⁵ For a discussion of the labor market requirements for employment-based visas, see: CRS Report RS21520, *Labor Certification for Permanent Immigrant Admissions*; CRS Report RL30498, *Immigration: Legislative Issues on Nonimmigrant Professional Specialty (H-1B)* (continued...)

persons fitting these categories, provided the person complies with applicable immigration measures for temporary entry (*e.g.*, public health and safety as well as national security). Singaporean citizens who are business visitors, for example, would be able to enter the United States for business purposes for up to 90 days on the basis of an oral declaration or letter from the employer specifying the principal place of business, detailing in the FTA an admissions policy not currently specified in statute. (See section of this report on Issues for discussion of this provision.)

Labor and Environmental Provisions

Environment. (Chapter 18) The U.S. Trade Representative states that the agreement fully meets the environmental objectives set out by Congress in granting the President Trade Promotion Authority (TPA).³⁶ Environmental obligations are part of the core text of the trade agreement. Both parties are to ensure that their domestic environmental laws provide for high levels of environmental protection and are to strive to continue to improve such laws. The agreement makes clear that it is inappropriate to weaken or reduce domestic environmental protections to encourage trade or investment. The agreement also requires that parties effectively enforce their own domestic environmental laws. This obligation is to be enforceable through the agreement's dispute settlement procedures (see section on Dispute Settlement).

Worker Rights. (Chapter 17) In the FTA, labor obligations are part of the core text of the trade agreement. Both parties are to reaffirm their obligations as members of the International Labor Organization, and they are to strive to ensure that their domestic laws provide for labor standards consistent with internationally recognized labor principles. The agreement also contains language that it is inappropriate to weaken or reduce domestic labor protections to encourage trade or investment. The agreement further requires parties to effectively enforce their own domestic labor laws. This obligation is to be enforceable through the agreement's dispute settlement procedures (see section on Dispute Settlement).

The USTR claims that the FTA meets the labor and environmental objectives set out by Congress in TPA legislation. The TPA (P.L. 107-210) lays out labor and environmental objectives for trade negotiations [Section 2102(b)(11)]. Among them are to ensure that a party to a trade agreement with the United States does not fail to effectively enforce its environmental or labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade between the United States; to strengthen the capacity of U.S. trading partners to promote respect for core labor standards; and to strengthen the capacity of U.S. trading partners to protect the

³⁵ (...continued)

Workers; and CRS Report RS21543, *Immigration Policy for Intracompany Transfers (L Visas): Issues and Legislation*, all by Ruth Ellen Wasem

³⁶ Trade Act of 2002 (P.L. 107-210). The Act includes negotiating objectives that call for negotiators to ensure that parties do not fail to effectively enforce their environmental laws in a manner affecting trade and to make such failures subject to dispute settlement. Another objective seeks language in trade agreements committing parties not to weaken environmental laws to attract trade.

environment through the promotion of sustainable development. Some claim that the FTA does not achieve these objectives.

The labor and other provisions in the FTA have been criticized by the AFL-CIO. It claims that the agreement would likely lead to a deteriorating trade balance, lost jobs, trampled rights and inadequate economic development.³⁷

Dispute Settlement

All core obligations of the agreement, including labor and environmental provisions, are to be subject to the dispute settlement provisions of the Agreement (Chapter 20). The dispute panel procedures are considered by the negotiators to be high standards of openness and transparency and include:

- Public hearings;
- Public release of legal submissions by parties; and
- Rights for interested third parties to submit views.

The emphasis in the agreement is on promoting compliance through consultation and trade-enhancing remedies rather than on trade sanctions or other penalties for non-compliance. The agreement contains an enforcement mechanism ‘ that includes monetary penalties to enforce commercial, labor, and environmental obligations of the trade agreement.

The non-implementation phase [Article 20:7] of the dispute settlement procedure is somewhat different for cases dealing with **labor and the environment**. Up to the point where a dispute panel issues its report but the Party in violation does not implement it, the procedures are the same regardless of the nature of the complaint. In a case where a dispute panel finds that a Party has not conformed with its obligations with respect to labor [Article 17:2.1(a)] or the environment [Article 18.2.1(a)], and the Parties are (a) unable to reach agreement on a resolution or (b) have agreed on a resolution but the complaining Party considers that the other Party has failed to observe the terms of the agreement, the complaining party may request that the dispute panel be reconvened to impose an annual monetary assessment on the other Party. The panel is to determine the amount of the monetary assessment within 90 days after it reconvenes not to exceed \$15 million dollars annually (adjusted for inflation after 2004 by the U.S. Producer Price Index). Some have argued that \$15 million is too small an amount. Note that for other types of disputes, the monetary assessments are to be set at a level equal to 50% of the level of the benefits the dispute panel has determined to be of equivalent effect, or, if there is no such determination, 50% of the level the complaining Party has proposed to suspend. If the monetary assessment is not paid, the complaining party may suspend tariff benefits under the Agreement up to the level the panel has determined. In 2002, the United States collected \$87.5 million in duties on imports from Singapore. Some of these duties could be reimposed in order to collect an unpaid monetary assessment.

³⁷ Statement by AFL-CIO President John J. Sweeney on Report Finding Chile and Singapore 'Free' Trade Agreements Hurting American Economic Interests and Workers' Rights in U.S., Chile and Singapore, February 28, 2003.

Capital Controls

The final issue that was negotiated in the FTA dealt with controls on capital outflows and their relationship to the dispute settlement mechanism. In the 1997-99 Asian financial crisis, short-term capital fled countries, such as Thailand and South Korea, rapidly, and the governments could not defend their exchange rates. Portfolio investors, not only lost asset value as stock markets declined in these countries, but unless they could convert their local-currency investments into dollars, they also lost when the currency depreciated. In addition to foreign investors, local wealth holders also rushed to convert their liquid capital into foreign currencies. As a result, over a short period of time the Thai baht and South Korean won lost 40% of their value, while the Indonesian rupiah dropped nearly 70%. In the FTA negotiations over capital controls, the Singaporean government reportedly wanted to retain the policy leeway to intervene to stem such catastrophic losses should a future crisis occur.

The language in the U.S.-Singapore FTA reportedly was patterned after that contained in the sister U.S.-Chile FTA. The FTA breaks capital outflows into two categories — outflows related to foreign direct investment (FDI), such as the repatriation of profits, dividends, proceeds from the sale of an asset, and loan or bond payments. If Singapore were to impose a restriction on outflows of this type of capital, the FTA provides for a six-month “cooling off period” beginning when the capital restriction was applied before an investor could challenge that restriction and submit a claim for arbitration. Investors, however, could sue for full damages.³⁸

For restrictions on other capital outflows (including short-term portfolio investments and other liquid assets), the “cooling off period” would be one year. If the restriction imposed did not “substantially impede” capital flows, then Singapore would not be liable for any damages for 364 days after the measure was imposed. If an investor won a dispute settlement case, any damages would be calculated beginning the 365th day. If the restriction did “substantially impede” capital flows, then Singapore would be held liable from the date the measure was imposed.

In a side letter (dated March 7, 2003) to the FTA, U.S. Under Secretary of Treasury for International Affairs John B. Taylor wrote to the Singapore Monetary Authority providing more detail on the term “substantially impede transfers.”³⁹ He stated that

without attempting to exhaustively define the term, we agree, as a rebuttable presumption, that restrictive measures on outward payments and transfers will be deemed not to substantially impede transfers, if they are applied on a national treatment and most-favored-nation basis, are price-based, are not confiscatory, do not effectively prohibit or ban transfers over any period of time, do not constitute a dual or multiple exchange rate practice, do not restrict the sale or conversion of the assets to any other asset denominated in Singapore dollars, and

³⁸ Article 15.15. See also: U.S.-Chile Agreement to Subject Capital Controls to Dispute Settlement. *International Trade Reporter*, Vol. 19, December 19, 2002. P. 2165.

³⁹ For discussion, see: Singapore-U.S. FTA Defines Rules on Short-Term Capital Flow Restrictions. *Inside U.S. Trade*, March 14, 2003.

do not otherwise interfere with the investor's ability to earn a market rate of return in Singapore on the restricted assets. A measure will not be deemed to substantially impede transfers by virtue of the fact that it relies on approval procedures for outward payments and transfers, provided the approval procedures are based on objective and transparent rules, and investors have an alternative means of making payments and transfers through a price-based mechanism.

The letter further states that

if a measure is found to "substantially impede transfers," the investor will have the burden of proving the existence and extent of diminution in its asset value as a consequence of the measure. If an investor can only speculate that the exchange rate would have been more favorable on the date when it was prepared to transfer its funds than when the funds were transferred, and Singapore presents evidence that the exchange rate could have been even less favorable at that time had the measure not been imposed, the investor has not met its burden of proof.

The letter further states that "if a measure substantially impedes transfers, it shall not prevent investors from earning a market rate of return in Singapore on any restricted assets."

If the FTA is approved, the legal definition of "substantially impede" is likely to be determined in actual dispute settlement cases. It could be expected, however, that a directive, such as that by Malaysia in 1998, that prohibited investors from accessing their funds would be considered a substantial impediment.⁴⁰

Budgetary Impact

Since the FTA would eliminate import tariffs on products from Singapore, it would result in reduced collections of import duties which become revenues for the federal government. In the Bush Administration's FY2004 budget, the estimated revenue losses are as indicated in Table 3. The loss is estimated to be \$20 million in FY2004, and it would rise to \$79 million in FY2008 for a total loss over the FY2004-2008 period of \$268 million. The total duties collected on imports from Singapore amounted to an estimated \$110.2 million in 2000, \$96.5 million in 2001, and \$87.5 million in 2002.⁴¹

⁴⁰ *Ibid.* In September 1998, Malaysia prohibited its domestic banks from lending to non-residents and stockbrokers or from engaging in any swap or repurchase transactions with non-residents. In addition, transactions in external ringgit accounts (particularly those in Singapore) could only be made for the sale and purchase of Malaysian ringgit (not foreign currency) assets, and balances could not be transferred among non-residents.

⁴¹ Underlying data from: U.S. International Trade Commission, Data Web.

Table 3. Estimated Revenue Losses to the Federal Government from Implementing the U.S.-Singapore Free Trade Agreement
(Million Dollars)

FY2004	FY2005	FY2006	FY2007	FY2008	Total: FY2004-8
-20	-43	-58	-68	-79	-268

Source: U.S. Office of Management and Budget

Issues

A fundamental issue with respect to the U.S.-Singapore FTA is whether the United States should pursue free trade and investment relations on a bilateral basis with the island nation of Singapore rather than maintaining existing trade practices on both sides or pursuing more liberalized trade relations through other means. Also at issue are the effects of these liberalized trade and investment flows on U.S. employment, imports and exports as well as access by U.S. businesses to Singapore's markets in services.

The underlying issue of whether the United States should pursue more liberalized trade and investment relations with Singapore dovetails into the larger issue of globalization and its effects on the United States, particularly on labor and wages. Those opposed to greater interaction with the global economy, perhaps to include Singapore, generally point to increasing competition from imports, the accompanying threat to economic security in certain industries, particularly labor-intensive industries with significant U.S. production, the rising U.S. trade deficit, and claimed negative effects of globalization (such as income maldistribution and increased pollution from industrialization).

Among the 31 Administration **trade advisory committees**, only the Labor Advisory Committee did not endorse the U.S.-Singapore FTA. The labor committee rejected the proposed FTA (along with the U.S.-Chile FTA) stating that it repeated "the same mistakes of the North American Free Trade Agreement" and would likely "lead to the same deteriorating trade balances, lost jobs, trampled rights and inadequate economic development that NAFTA created."

The other 30 advisory committees, including the trade and environment policy advisory committee, generally endorsed (or were neutral) on the agreement — although there were dissenting opinions and reservations about particular provisions.⁴² The key Advisory Committee on Trade Policy and Negotiations

⁴² The reports are available from the U.S. Trade Representative at: [http://www.ustr.gov/new/fta/Singapore/advisor_reports.htm] See also Trade Reports International Group. Endorsing the FTAs. *Washington Trade Daily*, Vol. 12, No. 44, March 3, 2003. The 31 trade advisory committees include more than 700 individuals representing business, labor, environmental groups, consumer groups, state governments and (continued...)

strongly endorsed the agreement, stating that it believed the FTA strongly promotes the economic interests of the United States and substantially achieves the overall and principal negotiating objectives set forth in the Trade Act of 2002. The labor representative on that committee, however, dissented, saying that it failed to meet the objectives in a number of areas, including labor and environment.

As for the benefits of FTAs, those in favor of trade and investment liberalization, including FTAs, generally claim that it brings increased export opportunities, greater business flexibility, and a more efficient economy. They also point out that foreign countries usually have higher trade and investment barriers than those in the United States. Trade agreements, therefore, usually require greater lowering of barriers by the foreign country than by the United States. They also argue that the United States may be in danger of being left behind as other nations conclude FTAs that do not include the United States.

Several large corporations and business organizations have provided support for FTAs. The U.S. Chamber of Commerce provided input to the USTR on the issues that it thought should be covered in a final agreement. The US-Singapore FTA Business Coalition, which includes membership by the Chamber of Commerce, the Business Roundtable, the National Association of Manufacturers, the Coalition of Service Industries, and about 100 U.S. companies and other organizations have signaled their strong support for the FTA.⁴³

The National Conference of State Legislatures representing U.S. state and local governments has indicated its support for the U.S.-Singapore FTA provided that the FTA not infringe upon the U.S. federal system nor afford foreign investors greater rights than those afforded U.S. investors and property owners as pertains to state laws, local ordinances, and regulations.⁴⁴ This issue relates to the “no greater rights” language incorporated into the act providing Trade Promotion Authority to the President.⁴⁵

As for the effect of trade with Singapore on the U.S. economy, for the past two years, the United States has run trade surpluses with Singapore. The net macroeconomic effect on U.S. employment of this trade, therefore, is generally positive, although bilateral trade balances have little effect on overall employment levels. On a microeconomic level, however, the electronic equipment and other machinery and equipment industries could experience greater import competition under the FTA.

⁴² (...continued)
academia.

⁴³ US-Singapore FTA Business Coalition. U.S.-Singapore FTA Business Coalition Enthusiastically Endorses Trade Deal: Pledges to Work Hard for Congressional Approval. Press Release. January 16, 2003. [<http://www.us-asean.org/ussfta/index.asp>]

⁴⁴ National Conference of State Legislatures. Letter to Ambassador Robert Zoelick, Re: Comments on the Proposed Singapore Free Trade Agreement. Federal Register, August 14, 2002, Vol. 67, No. 157.

⁴⁵ P.L. 107-210, 19 U.S.C. 3802 §2102(A)(3).

In 2002, for example, the United States ran a deficit in trade with Singapore in machinery (\$3.8 billion); organic chemicals (\$1.2 billion); and knit and woven apparel (\$0.3 billion). On the other hand, in electrical machinery the United States ran a 2002 surplus of \$1.4 billion plus a surplus of \$2.8 billion in aircraft. The \$1.2 billion deficit in organic chemicals may be offset somewhat by the U.S. surplus of \$0.3 billion in miscellaneous chemical products and \$0.5 billion in plastics. Both the machinery and chemical industries tend to be global.

The domestic **apparel industry** would appear to lose the most tariff and quota protection from imports under the proposed FTA, but U.S. import quotas on textiles and apparel are already scheduled to be eliminated on January 1, 2005 under the WTO Agreement on Textiles and Clothing. The agreement also contains strict rules of origin. In 2002, the United States imported from Singapore \$233.79 million in knitted or crocheted articles of apparel and clothing (HS 61) on which the duties totaled \$43.4 million or an average duty rate of 18.6%. The United States also imported \$42.3 million from Singapore in other articles of apparel and clothing (not knitted or crocheted, HS 62) on which duties totaled \$8.5 million for an average of duty rate 16.3%.⁴⁶ These rates are relatively high.

Other significant terms of the agreement appear to be in greater access to Singapore's **services market** by U.S. companies. The agreement not only includes a lowering of regulatory barriers for U.S. subsidiaries operating in Singapore and legal protections comparable to those in the United States, but it ensures that U.S.-based companies will be able to sell their services (such as portfolio management, consulting services, video, music, and software delivered electronically) without border barriers or customs fees. The Singaporean market, however, is relatively small and highly competitive.

Some have criticized bilateral FTAs because they can introduce economic inefficiencies by **distorting trade flows**. They tend to divert export and import trade toward the countries involved.⁴⁷ For example, under the North American Free Trade Agreement, some U.S. importers have turned to suppliers in Mexico rather than buying from Asia, and some manufacturers from Asia have relocated to Mexico to take advantage of the tariff-free access to the North American market. Inefficiencies caused by such trade diversion, however, may be offset by gains in efficiency through trade creation — additional trade generated by the existence of the larger, unified market.

Several factors mitigate against significant trade creation or trade diversion being caused by the U.S.-Singapore FTA. Both Singapore and the United States already have low trade barriers; the two markets are separated by long distances; and the Singaporean economy is relatively small (population of 4.5 million in an area roughly 3.5 times the size of the District of Columbia). Still the country boasts a substantial economy with a GDP of about \$100 billion or about the same size as that of Oregon or South Carolina and two-way trade with the United States of roughly

⁴⁶ Calculated from data from the U.S. International Trade Commission's Dataweb database.

⁴⁷ For an analysis of FTAs, see CRS Report RL31356, *Free Trade Agreements: Impact on U.S. Trade and Implications for U.S. Trade Policy*, by William H. Cooper.

\$30 billion. This trade, however, amounts to only 1.6% of total U.S. trade of \$1,856 billion. The US-Singapore FTA, therefore, does not seem likely to create a significant amount of new U.S. exports or imports of goods, except perhaps in those sectors that are currently protected by U.S. tariffs or quotas.

Some **trade diversion** is possible under the FTA. Manufacturers currently producing elsewhere in Asia could relocate to Singapore. However, with Singapore's per capita income at \$30,500, average hourly labor cost of \$7.73 (compared with \$5.55 in Taipei, Taiwan, \$1.12 in Bangkok, Thailand, and \$0.64 in Guangzhou, China), and office occupancy costs 67% higher than those in Guangzhou and 330% higher than those in Bangkok,⁴⁸ it seems unlikely that a great number of factories would move to Singapore to take advantage of the FTA. Attempted illegal transshipments from regional producers, however, could increase. The FTA addresses this potential problem with strengthened customs procedures.

Bilateral FTAs, moreover, also play a role in the **trade liberalizing process**. Currently, markets are opened primarily through multilateral negotiations under the World Trade Organization, through organizations such as APEC, or by sectoral initiatives. Given the slowness of the WTO multilateral negotiating process and the lack of further progress on sectoral trade liberalization following the Information Technology Agreement⁴⁹ in 1996, countries can do an "end run" around the WTO and liberalize trade with other like-minded countries. The trade diversion created by such FTAs, however, unleashes pressures for governments to either create FTAs of their own or join into existing FTA arrangements. Traditionally protectionist countries, such as China or Japan, now are actively seeking FTA-type arrangements with other nations. Bilateral FTAs, therefore, can become building blocks, rather than stumbling blocks, to global trade liberalization.

FTA provisions on the **temporary entry of business personnel and professional workers** are raising concerns among many in the field of immigration because immigration law traditionally is spelled out by Congress, not the executive branch. Some maintain that the USTR has negotiated these immigration provisions without any authority or direction to do so from Congress. The Labor Advisory Committee, in particular, is critical of the provisions on the temporary entry of business personnel and professional workers because it appears to enable workers from Singapore who have no direct employment except a service contract to enter the United States, and such visa programs, they argue, would be in addition to the existing H-1B system without the existing Labor Condition Application (LCA) protections for domestic workers.⁵⁰ More generally, some point out that these provisions bound by the FTA would constrain current and future Congresses when they consider revising immigration law on business personnel, treaty traders, intra-

⁴⁸ Urban Land Institute (Singapore). Economist Intelligence Unit.

⁴⁹ The Information Technology Agreement, concluded by 29 WTO participants in 1996, eliminated duties on most IT products with extended phase-in periods for some participants.

⁵⁰ The U.S.-Singapore Free Trade Agreement. Report of the Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC), February 28, 2003.

company transfers, and professional workers because the United States would run the risk of violating the FTA.

In responding to the Labor Advisory Committee report, the USTR maintained that the temporary entry of professionals falls within Trade Promotion Authority Act objectives regarding the opening of foreign country markets for U.S. services and investment, in particular to reduce or eliminate barriers that restrict the operations of service suppliers or the establishment or operations of investments. The USTR claimed that ensuring cross-border mobility of professionals and other business persons is critical for U.S. companies in developing new markets and business opportunities abroad. The USTR also argued that it is incorrect to assert that the labor attestations required under the FTA would be less rigorous than the LCA called for under current U.S. law. According to the USTR, the labor attestation required under the FTA also is to be modeled after the LCA that the Department of Labor requires under the existing H-1B visa program, and (as is the case under the H-1B program) fees may be collected along with the labor attestations.⁵¹

As discussed earlier in this report, the **Integrated Sourcing Initiative** also has generated some debate. At issue is the extent to which certain information technology goods and medical equipment that already trade duty free can be counted as Singaporean. The initiative was aimed at two Indonesian islands where many producers located in Singapore procure components. The fear is that other countries, such as China, might also be able to use the provision to ship product through Singapore. Also, Indonesian manufacturers would not be covered by the labor, environmental, and other provisions of the FTA. Indonesia also would not be required to provide any reciprocal access to its markets.

Also at issue is the extent to which particular provisions of the U.S.-Singapore FTA would be used as a **template for FTA negotiations with other nations**. Of particular concern are current negotiations with five countries of Central America, the Southern African Customs Union, Morocco, and with Australia, as well as the proposed Free Trade Area of the Americas that would cover the Western hemisphere. In many of these countries, labor and environmental standards are considered to be lower than those in Singapore.

The U.S.-Singapore FTA states that both parties are to ensure that their domestic **environmental laws** provide for high levels of environmental protection and are to strive to continue to improve such laws. The agreement also requires that the parties effectively enforce their own domestic environmental laws. With respect to **labor standards**, both parties also are to reaffirm their obligations as members of the International Labor Organization. They are to strive to ensure that their domestic laws provide for labor standards consistent with internationally recognized labor principles. The agreement further requires the parties to effectively enforce their own domestic labor and environmental laws. These obligations are to be enforceable through the agreement's dispute settlement procedures but with financial penalties (capped in amount) for non-compliance. Labor interests point out that while the

⁵¹ Letter. U.S. Trade Representative to Mr. George Becker, Chair, Labor Advisory Committee on Trade Negotiations and Trade Policy. c. March 2003.

Singapore agreement commits the signatories to enforce their domestic labor laws, it does not actually commit the signatories to have labor laws in place, or to ensure that their labor laws meet any international standard or floor.⁵²

In terms of **U.S. security interests**, the FTA would add a formal economic link to the security relationship with Singapore. In 1990 and 1992, Singapore signed access agreements that provide for limited U.S. use of air and naval facilities in Singapore. This was a result of the U.S. withdrawal of forces from the Philippines. The 1990 Access Memorandum of Understanding (MOU) with the United States allows U.S. forces to operate resupply vessels from Singapore and to use the naval base and ship repair facilities at Sembawang port and the Paya Lebar military airfield. A 1998 amendment to the MOU allows U.S. access to Singapore's new deep-draft pier at Changi Naval Base. In 2001, the USS Kitty Hawk became the first foreign vessel to dock there.⁵³ While the FTA would not materially affect such defense cooperation, it could provide an economic rationale to maintain close relations with Singapore on all fronts.

As for the anti-terror campaign, as Al Qaeda has been driven from Afghanistan, some radical Islamist activity has shifted to Southeast Asia. This was manifest in the October 12, 2002, bombings in a nightclub district in Bali frequented by western tourists as well as other attacks on civilian and military targets in Indonesia and the Philippines. Some analysts fear that Southeast Asia with its widespread Muslim populations could become a haven for terrorists, a hotbed for training radical Islamists, a source of finance for terror operations, and a prime location for so-called "soft terrorist targets," such as hotels, businesses, and transportation facilities. In December 2001, the media reported that the Singaporean government arrested members of a terrorist Jemaah Islamiah cell with extensive links to Al Qaeda that allegedly was planning to blow up Western embassies, U.S. naval vessels, and a bus that transports American military service members.⁵⁴ Although the FTA would not materially affect the anti-terror campaign, it would add a link between Singapore and the United States that could enhance cooperation on certain issues (such as terrorist financing and customs inspections) and in determining courses of action on issues of interest to the United States in fora such as ASEAN, the ASEAN Regional Forum, and the Non-Aligned Movement.⁵⁵

As a major shipping hub, Singapore also has taken measures to curb its potential for becoming a transshipment point for **illegal cargo** bound for terrorist buyers, a

⁵² Lee, Thea M. Testimony Before the Subcommittee on Trade of the U.S. House Committee on Ways and Means, June 10, 2003.

⁵³ "Terrorists Will Not Deter U.S. from Singapore Naval Stops," *Kyodo News*, February 27, 2002.

⁵⁴ Graham, Bradley. Afghan Tape Helped Lead To Singapore Terror Cell, *The Washington Post*, January 12, 2002, p. A01. Simon Cameron-Moore and Muralikumar Anantharaman, "Malaysia, Singapore Seize Qaeda Suspects," *Reuters*, January 5, 2002; "Bomb Plot Aimed at U.S. Embassies in Asia-paper," *Reuters*, February 11, 2002

⁵⁵ Singapore PM Urges Peaceful Resolution of Iraq, North Korea, Palestinian Issues. Bernama News Agency, Kuala Lumpur, Malaysia. February 24, 2003.

loading point for hidden bombs in cargo containers, or a target point for direct attacks on ships. As a member of the International Maritime Organization, Singapore already is implementing some of the anti-terrorism provisions of the International Ship and Port Facility Security Code (ISPS) and the Amendments to the International Convention for the Safety of Life at Sea (SOLAS),⁵⁶ both due to come into effect in July 2004. For example, gamma-ray scanners reportedly are soon to be used to screen containers passing through Singapore ports.⁵⁷

In summary, since Singapore is a relatively small economy, the overall economic effects of the U.S.-Singapore Free Trade Agreement are not expected to be great. The U.S. electronics equipment and other machinery and equipment sectors potentially may face increased imports from Singapore, although U.S. agricultural exporters may gain from more exports. The agreement would allow greater access to Singapore's service sector and some see it as a standard for additional FTAs with other nations. The debate over implementation of the FTA seems to be falling between business and free-trade interests who favor more liberalized trade, particularly in services, and labor or anti-globalization interests who oppose more FTAs because of the overall impact of imports on jobs and the general effects of globalization on income distribution, certain jobs, and the environment.

Legislative Activity

House Committee on Financial Services, Subcommittee on Domestic and International Trade Policy, Trade, and Technology held a hearing entitled "Opening Trade in Financial Services — The Chile and Singapore Examples." April 1, 2003.

House Committee on Energy and Commerce, Subcommittee on Commerce, Trade, and Consumer Protection held a hearing entitled "Trade in Services and E-Commerce: The Significance of the Singapore and Chile Free Trade Agreements." May 8, 2003.

House Committee on Ways and Means, Subcommittee on Trade held a hearing entitled "Hearing on Implementation of U.S. Bilateral Free Trade Agreements with Chile and Singapore," June 10, 2003.

House Committee on International Relations, Subcommittee on Asia and The Pacific held a hearing entitled "U.S. Trade and Commercial Policy in Southeast Asia and Oceania," June 25, 2003.

S.Con.Res. 42 (Bond)/H.Con.Res. 167 (Weldon). A concurrent resolution welcoming the Prime Minister of Singapore, expressing gratitude to Singapore for its strong cooperation with the United States in the campaign against

⁵⁶ For details, see [<http://www.imo.org/home.asp>].

⁵⁷ Abbugao, Martin. Governments Urged to Step Up Maritime Safety Against Terrorism. Agence France-Presse, January 21, 2003.

terrorism, and reaffirming the commitment of Congress to the continued expansion of friendship and cooperation between the United States and Singapore. S.Con.Res. 42 passed the Senate on May 6, 2003. Referred to the House.

**Appendix A. U.S. Imports from Singapore, Customs Value by
Two-digit Harmonized System Commodity Codes
2000-2002**
(Million U.S. Dollars)

HS	Commodity Description	U.S. Imports from Singapore in:		
		2000	2001	2002
	Total for Singapore	19,186.5	15,000.0	14,792.6
84	Machinery	10,386.3	8,221.6	8,007.4
85	Electrical Machinery	4,764.6	2,977.0	2,410.8
29	Organic Chemicals	634.0	868.6	1,558.3
98	Special Other	1,156.4	1,013.8	920.7
90	Optical, Medical Instruments	714.9	722.0	756.0
61	Knit Apparel	265.6	233.6	233.9
27	Mineral Fuel, Oil, etc	368.2	202.9	171.9
49	Books, Newspapers; Manuscripts	121.7	125.3	123.5
99	Other Special Import Provisions	116.0	93.9	87.8
39	Plastic	50.2	41.6	75.1
88	Aircraft, Spacecraft	58.7	72.8	61.6
62	Woven Apparel	90.1	64.8	52.4
03	Fish and Seafood	61.2	54.0	51.1
87	Vehicles, Not Railway	52.2	33.3	33.6
38	Misc. Chemical Products	18.6	25.7	31.4
71	Precious Stones, Metals	38.2	23.9	27.4
40	Rubber	28.2	23.4	24.4
89	Ships and Boats	56.5	25.6	22.1
18	Cocoa	19.2	10.6	16.7
73	Iron/steel Products	19.4	13.4	11.1
19	Baking Related	8.0	9.4	10.0
21	Miscellaneous Food	3.7	6.5	8.9
82	Tools, Cutlery, of Base Metals	19.5	19.3	8.7
30	Pharmaceutical Products	5.9	4.9	8.1
33	Perfumery, Cosmetics, etc	7.1	4.5	7.5
95	Toys and Sports Equipment	3.7	7.2	6.1
97	Art and Antiques	5.3	2.1	5.3

HS	Commodity Description	U.S. Imports from Singapore in:		
		2000	2001	2002
94	Furniture and Bedding	11.2	8.6	5.2
32	Tanning, Dye, Paint, Putty	6.7	9.3	4.4
48	Paper, Paperboard	10.6	11.2	4.2
44	Wood	5.9	4.5	4.0
91	Clocks and Watches	8.2	6.0	3.9
15	Fats and Oils	3.9	3.7	3.8
83	Misc Articles of Base Metal	4.9	4.0	3.3
76	Aluminum	5.1	3.3	2.8
09	Spices, Coffee and Tea	4.4	2.6	2.8
41	Hides and Skins	2.9	4.6	2.4
16	Prepared Meat, Fish, etc	1.4	1.8	2.3
74	Copper + Articles Thereof	13.8	3.0	2.0
96	Miscellaneous Manufactures	3.5	2.2	2.0
20	Preserved Food	2.3	2.3	1.8
37	Photographic/cinematography	1.5	4.8	1.7
70	Glass and Glassware	1.4	0.7	1.5
63	Misc Textile Articles	3.3	2.0	1.4
42	Leather Articles; Saddlery; Bags	2.7	1.7	1.4
23	Food Waste; Animal Feed	0.0	0.2	1.0
22	Beverages	2.6	1.2	1.0
12	Misc Grain, Seed, Fruit	2.8	0.7	0.9
24	Tobacco	0.0	0.5	0.8
34	Soap, Wax, Etc; Dental Prep	0.1	0.3	0.6
81	Other Base Metals, etc.	0.7	0.5	0.6
72	Iron and Steel	3.5	7.1	0.5
06	Live Trees and Plants	0.7	0.6	0.4
58	Special Woven Fabric, etc	0.0	0.4	0.4
14	Other Vegetable	0.6	0.5	0.4
69	Ceramic Products	0.3	0.3	0.4
54	Manmade Filament, Fabric	0.3	0.2	0.4
75	Nickel and Articles Thereof	0.1	4.4	0.4

HS	Commodity Description	U.S. Imports from Singapore in:		
		2000	2001	2002
35	Albumins; Mod Starch; Glue	0.1	0.1	0.3
68	Stone, Plaster, Cement, etc	0.9	0.2	0.3
80	Tin and Articles Thereof	0.2	0.8	0.2
17	Sugars	0.2	0.2	0.2
28	Inorganic Chem; Rare Earth Metals	0.6	0.3	0.2
57	Textile Floor Coverings	0.2	0.3	0.2
25	Salt; Sulfur; Earth, Stone	0.1	0.0	0.2
08	Edible Fruit and Nuts	0.9	0.4	0.2
93	Arms and Ammunition	0.1	0.2	0.1
86	Railway; Traffic Sign Equipment	0.1	0.1	0.1
64	Footwear	1.6	0.2	0.1
65	Headgear	0.2	0.1	0.1
92	Musical Instruments	0.5	0.4	0.1
59	Impregnated Text Fabrics	0.1	0.1	0.1
13	Lac; Vegetable Sap, Extract	0.5	0.2	0.1
10	Cereals	0.0	0.0	0.1
11	Milling; Malt; Starch	0.1	0.1	0.1
52	Cotton and Yarn, Fabric	0.1	0.1	0.1
07	Vegetables	0.0	0.0	0.0
01	Live Animals	0.0	0.0	0.0
46	Straw, Esparto	0.1	0.1	0.0
50	Silk; Silk Yarn, Fabric	0.0	0.0	0.0
53	Other Vegetable Textile Fiber	0.0	0.0	0.0
67	Artificial Flowers, Feathers	0.0	0.1	0.0
56	Wadding, Felt, Twine, Rope	0.1	0.0	0.0
05	Other of Animal Origin	0.1	0.1	0.0
79	Zinc and Articles Thereof	0.0	0.0	0.0
78	Lead	0.0	1.1	0.0
66	Umbrella, Walking-sticks, etc	0.1	0.2	0.0
60	Knit, Crocheted Fabrics	0.7	0.0	0.0
43	Furskin and Artificial Fur	0.0	0.0	0.0

HS	Commodity Description	U.S. Imports from Singapore in:		
		2000	2001	2002
45	Cork	0.0	0.0	0.0
47	Wood Pulp, etc.	0.0	0.0	0.0
26	Ores, Slag, Ash	0.0	0.0	0.0
31	Fertilizers	0.0	0.0	0.0
36	Explosives	0.0	0.0	0.0
02	Meat	0.0	0.0	0.0
04	Dairy, Eggs, Honey, etc	0.1	0.0	0.0
51	Animal Hair+yarn, Fabric	0.0	0.0	0.0
55	Manmade Staple Fibers	0.1	0.0	0.0

Source: U.S. Dept. of Commerce, Bureau of Census

Appendix B. U.S. Exports to Singapore by Two-digit Harmonized System Commodity Codes, 2000-2002

(Million U.S. Dollars)

HS	Commodity Description	U.S. Exports to Singapore in:		
		2000	2001	2002
	Total Singapore	17,816.4	17,651.7	16,221.2
48	Paper, Paperboard	95.1	70.4	64.7
40	Rubber	52.1	44.6	61.8
83	Misc Articles of Base Metal	36.7	57.5	61.7
33	Perfumery, Cosmetic, Etc	60.0	64.7	59.4
82	Tools, Cutlery, of Base Metals	70.3	51.9	53.9
34	Soap, Wax, Etc; Dental Prep	45.5	39.1	50.2
08	Edible Fruit and Nuts	43.2	40.3	47.0
21	Miscellaneous Food	32.9	41.1	46.9
95	Toys and Sports Equipment	59.7	52.3	42.8
30	Pharmaceutical Products	31.6	46.9	36.8
89	Ships and Boats	56.1	112.1	36.7
24	Tobacco	71.3	45.7	32.4
94	Furniture and Bedding	42.1	31.4	25.4
20	Preserved Food	25.5	22.8	25.4
35	Albumins; Mod Starch; Glue	21.1	15.5	23.0
96	Miscellaneous Manufactures	13.1	19.1	22.2
72	Iron and Steel	38.8	38.5	22.1
02	Meat	28.4	24.3	19.7
68	Stone, Plaster, Cement, Etc	26.6	17.9	18.6
74	Copper and Articles Thereof	42.5	17.7	18.2
55	Manmade Staple Fibers	9.0	14.0	15.5
25	Salt; Sulfur; Earth, Stone	20.9	14.4	14.9
19	Baking Related	13.5	13.6	13.6
42	Leather Articles; Saddlery; Bags	14.7	11.8	11.1
10	Cereals	13.5	10.5	11.0
15	Fats and Oils	9.5	3.3	10.8
81	Other Base Metals, Etc.	9.0	9.7	9.6

HS	Commodity Description	U.S. Exports to Singapore in:		
		2000	2001	2002
44	Wood	13.5	6.4	9.3
22	Beverages	9.1	8.9	8.8
09	Spices, Coffee and Tea	2.3	2.5	8.7
57	Textile Floor Coverings	15.7	10.8	8.7
23	Food Waste; Animal Feed	9.3	6.0	8.0
63	Misc Textile Articles	8.0	6.8	7.9
07	Vegetables	8.3	8.2	7.6
18	Cocoa	6.5	8.1	7.6
75	Nickel and Articles Thereof	8.8	8.0	7.3
41	Hides and Skins	4.2	6.6	7.3
61	Knit Apparel	6.1	5.7	6.5
04	Dairy, Eggs, Honey, Etc	3.4	4.8	6.4
80	Tin and Articles Thereof	18.1	5.0	6.3
36	Explosives	9.1	7.2	6.1
17	Sugars	4.8	5.3	6.0
59	Impregnated Text Fabrics	5.7	6.1	5.7
93	Arms and Ammunition	6.1	12.1	5.5
62	Woven Apparel	8.3	6.7	5.5
69	Ceramic Products	24.6	5.6	5.2
92	Musical Instruments	6.1	6.7	5.1
16	Prepared Meat, Fish, Etc	5.5	5.0	5.0
97	Art and Antiques	18.3	16.6	4.6
91	Clocks and Watches	10.4	5.4	4.5
54	Manmade Filament, Fabric	10.4	3.8	4.5
56	Wadding, Felt, Twine, Rope	4.5	5.6	4.5
64	Footwear	6.7	4.9	4.1
86	Railway; Traffic Sign Equipment	2.3	3.0	4.0
03	Fish and Seafood	5.1	4.6	3.2
13	Lac; Vegetable Sap, Extract	4.6	2.0	3.2
12	Misc Grain, Seed, Fruit	3.3	2.4	3.0
26	Ores, Slag, Ash	0.5	1.2	2.6

HS	Commodity Description	U.S. Exports to Singapore in:		
		2000	2001	2002
58	Special Woven Fabric, Etc	2.9	1.5	1.8
31	Fertilizers	1.3	2.0	1.7
52	Cotton and Yarn, Fabric	2.7	2.9	1.5
11	Milling; Malt; Starch	1.7	0.8	1.2
05	Other of Animal Origin	1.0	1.5	1.1
60	Knit, Crocheted Fabrics	1.2	1.8	0.9
65	Headgear	0.8	1.0	0.8
14	Other Vegetable	0.0	0.1	0.8
47	Woodpulp, Etc.	1.6	1.0	0.7
78	Lead	1.3	1.2	0.6
43	Fur Skin and Artificial Fur	1.7	0.9	0.4
67	Artificial Flowers, Feathers	0.2	0.1	0.3
46	Straw, Esparto	0.2	0.1	0.2
45	Cork	0.5	0.3	0.2
01	Live Animals	0.5	0.3	0.2
79	Zinc and Articles Thereof	0.5	0.4	0.2
50	Silk; Silk Yarn, Fabric	0.1	0.0	0.1
51	Animal Hair and Yarn, Fabric	0.2	0.2	0.1
53	Other Vegetable Textile Fiber	0.1	0.1	0.1
06	Live Trees and Plants	0.1	0.1	0.1
66	Umbrella, Walking-sticks, Etc	0.0	0.1	0.0

Source: U.S. Dept. of Commerce, Bureau of Census

Appendix C. Reserved Service Sectors/Activities (Subject to Restrictions, Licensing, Local Presence Requirements, etc.) for the United States and Singapore Under the U.S.-Singapore Free Trade Agreement

United States	Singapore
Restrictions on providing air services	Restrictions on providing air services, airport ground handling services, cargo handling, piloting services, administration of airports, freight, express delivery, letter and postcard delivery services, and print publishing
Maritime transportation services and the operation of U.S.-flagged vessels	Maritime transportation services and the operation of Singapore-flagged vessels
Requirements for customs broker's license and patent agents	Registration, residency, and/or certification requirements for company auditors, architects, land surveyors, lawyers, security guards, private investigators, nurses, medical and pharmacy services and products, Singapore seamen, gambling services, patent agents, engineers. Local presence required for registering under the Cooperative Societies Act, to operate a trade union, operate a medical school, provide contact lens, apply for trade permits or documents
Requirements for radio licenses, sharing of radio spectrum, access to satellite transmissions, satellite television services, and digital audio services	Requirements for broadcasting licenses. Plant and animal testing services for plants and animals of Singapore; ownership of restricted residential properties; development of land sold by the government
Reciprocity in the operation of cable television systems	Incorporation and reciprocity for telecommunications companies; providers of registration services for the .sg Internet domain name
Restrictions on providing law enforcement, correctional services, and the following social services: income and social security or insurance, social welfare, public education, public training, health, and child care	Restrictions on providing Social security services, the manufacture of beer and stout, cigars, drawn steel products, chewing gum, cigarettes, and matches; providing electricity, power supply, water supply, or public transportation; the transport and distribution of natural gas and hazardous substances/waste, and sewage
Registering securities	Financial institutions extending Singapore dollar credit facilities. Suppliers of credit bureau services
Mining	Sales of government-held stock or divestitures of land; privatizing a service; collection and administration of proprietary government information, public schools

United States	Singapore
Overseas Private Investment Corporation insurance and loan guarantees	Foreign shareholdings in the PSA Corporation; Singapore Technologies Engineering; Singapore Airlines; Singapore Power, Power Grid, Power Supply, and Power Gas. Operation of government hospitals, zoning,
Atomic Energy, Alaska Native Claims	Developing and managing the island of Sentosa and the Southern Islands
Exports of sensitive products or technology	Registering a business without appointing a local manager

Source: Text of the U.S.-Singapore Free Trade Agreement.

Note: For details see text of the Agreement.