



**REMARKS BY AMBASSADOR CHEW TAI SOO AT THE APEC  
BUSINESS ADVISORY COUNCIL SYMPOSIUM, SESSION III  
“DESIRABLE FUTURE OF FTA/EPA TO WORLD ECONOMY”,  
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Trade is vitally crucial for Singapore. According to WTO, Singapore was the 15<sup>th</sup> largest trading nation in the world in 2001. To put this in perspective, the US is first, Japan third and Australia twenty-fifth. Another illustration of the importance of trade for Singapore is that in any one year, trade is 3 times Singapore's GDP (S\$432 billion in 2002, GDP S\$156 billion). No wonder then that Singapore is a strong advocate of the multilateral open trading system under the WTO and its predecessor the GATT.

2        Since coming into being in 1948 – the GATT/WTO has had 8 negotiating rounds. These have helped to liberalise global trade. But such negotiations have become more and more difficult to launch and conclude. There are several reasons for this. First in 1948, when GATT was formed, there were only 23 members. At the insistence of the major trading countries, particularly the US, decision making is by consensus. This has continued to today. But there are now 146 WTO members. Consensus making has become practically impossible with such a large number of countries. As a result agreements are difficult and slow to come by. Second, the trade interests of the US, EU, Japan and Canada, the 4 largest trading nations have evolved. While trade in goods remain important for them, trade in services and new issues have gained increased prominence since the 1980s. On the other hand, trade in goods

remain pivotal for developing countries. They are unwilling to move into new issues when in their view no significant benefits in goods have accrued to them in the liberalisation process. Developing countries have been at pains to point out that sectors of interest to them such as textiles and agriculture have seen minimal liberalisation and access to developed markets restricted. As a result of different interests, the increased membership and the decision making process, it has become extremely difficult in recent years to reach agreement. Witness the Uruguay Round which took 7 years to finish. Similarly, the Doha Round has found it difficult to make progress.

3         Despite such difficulties, Singapore continues to support the multilateral process. But we have also taken the parallel track of regional and bilateral free trade agreements as a complement to the multilateral process. FTAs because it involves fewer countries is of course both faster and can cover sectors of specific interest to the parties concerned. When a number of FTAs have been concluded, they could be brought together to provide for freer flow of trade. This is especially relevant in the Asia Pacific region. In other words, FTAs will help keep markets open and in the process provide an impetus to multilateral trade liberalisation.

4         Let me now talk about some of the regional and bilateral FTAs which Singapore has. First, the ASEAN Free Trade Area or AFTA. Initiated in 1992, ASEAN agreed to reduce tariffs to 0-5% over 15 years. This timetable was accelerated to 9 years in the 6 ASEAN countries of Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand by 2002. AFTA is on track. About 96% of tariff lines of the ASEAN 6 are at 0-5% and more than 48% is at zero tariffs. The corresponding figures for CLMV are 56% and 8%. AFTA has also expanded beyond tariff reductions to include elimination of non-tariff barriers and quantitative

restrictions, harmonise customs nomenclature, valuation and so on. ASEAN has also moved into negotiations to eliminate restrictions to trade in services. There is a Framework Agreement on ASEAN Investment Area (AIA). The AIA provides for national treatment to the 5 sectors of manufacturing, fishery, forestry, mining and agriculture. Finally in 2002, ASEAN started the process of reviewing how it could bring economic integration to the next level and to achieve an ASEAN Economic Community.

5           Bilaterally, Singapore has concluded FTAs with New Zealand, Japan, EFTA, Australia and the US. Negotiations are on going with Canada, Mexico, India and ROK. Let me just touch on 2 of these, the Japan-Singapore New Age Economic Partnership Agreement or JSEPA and the US-Singapore Free Trade Agreement or USSFTA.

6           The Japan-Singapore New Age Economic Partnership Agreement (JSEPA) was signed by PM Koizumi and PM Goh on 13 January 2002. The JSEPA is Japan's first ever FTA. It is Singapore's first with a major industrialised country. It came into force on 30 November last year. In all, it took 2 ½ years from the time the idea of a FTA was broached until it came into force. This is a very short time considering the wide-ranging scope of the Agreement. The JSEPA would further strengthen the close economic linkages between Singapore and Japan.

7           The JSEPA as negotiated is significant and comprehensive and gives both countries substantial economic benefits. The tariff reductions and other trade liberalisation measures will increase trade. Japan is one of Singapore's most important markets and source of investment, capital and technology. The JSEPA will provide Japanese investors with secured

and enhanced protection when they invest in Singapore. Beyond trade and investment liberalisation, the JSEPA provides for cooperation in areas such as science and technology, human resource development and exchanges, info-communication technology, finance, broadcasting and tourism. Both countries will be able to tap the creativity of our 2 peoples and encourage technological innovation and entrepreneurship. It will also create new business opportunities, increase economies of scale, provide stability and predictability of business transaction between our 2 countries. Competitiveness of the 2 economies will be improved as would be the attractiveness and robustness of the 2 markets. The benefits are wide and varied.

8        More importantly, the JSEPA has strategic benefits for both countries and Southeast Asia. That ASEAN is important for Japan should not be underestimated. ASEAN with its 500 million people is an important investment destination for Japan, an alternative to China. ASEAN is also a significant market for Japanese exports as well as a source of energy and natural resources. Similarly, Japan is important for ASEAN as it provides investments, employment, transfer of technology and markets for ASEAN. One of the key points which PM Goh put to Japanese leaders was that a FTA between our 2 countries will anchor Japan's presence in Southeast Asia and signal Japan's commitment to the region. It will provide for closer economic relations between Japan and ASEAN countries. This is already happening. Since the beginning of this year, Thailand and the Philippines have asked for similar FTAs with Japan. Even Malaysia, which was most cautious about FTAs and the JSEPA, has now decided that it should negotiate one with Japan. Regionally, PM Koizumi has proposed the ASEAN Japan Comprehensive Economic Partnership (AJCEP) which includes a FTA between Japan and ASEAN. At the ASEAN-Japan Summit in Phnom Penh in early

November 2002, agreement was reached to negotiate a framework agreement for the AJCEP. This framework agreement is being discussed and targetted to be signed at the next ASEAN-Japan Summit in October this year. In short following the JSEPA, Southeast Asia and Japan are seriously looking at a number of bilateral FTAs as well as a regional FTA between Japan and ASEAN. When completed, these various agreements would provide for a network of trade and economic linkages between ASEAN and Japan.

9           Next, let me touch on the US-Singapore Free Trade Agreement (USSFTA). The USSFTA is the first FTA between the US and an Asian country. It was launched in December 2000 at the APEC Leaders' Meeting in Brunei. Negotiations took 2 years. The agreement was signed in Washington on 6 May 2003 between President Bush and PM Goh Chok Tong. It will now go before the Senate for ratification. The USSFTA will enhance the already close economic relations between the US and Singapore. It would also signal the US long-term commitment to engage Southeast Asia. The US has consistently been Singapore's most important trading and investment partner. On the other hand, Singapore is the 12<sup>th</sup> largest trading partner of the US and the second largest investor from Asia. Outside NAFTA, the USSFTA is larger than any of the FTAs which the US has concluded. The USSFTA is a comprehensive, high standard and substantive agreement. Both sides have undertaken bold and broad ranging commitments to liberalise trade in goods, services and investment as well as in government procurement.

10           One of the key areas of the USSFTA is that it provides enhanced market access in financial services. Foreign banks maintain a strong presence in Singapore, which compare very favourably with other international cities. Their market share of non-bank resident deposits and

non-bank resident loans are high at about 40%. Under the FTA, Singapore will further liberalise its financial services to US banks. More bank licenses can be obtained and more bank branches can be established. US banks will also be able to negotiate for access to the local ATM network.

11 In the area of intellectual property, Singapore will amend its copyright, patent and trademark laws to strengthen our protection regime. We will extend more rights to intellectual property holders in the Internet environment such as the implementation of anti-circumvention legislation and the imposition of secondary liability on Internet service providers. We will allow the patenting of bio-inventions and clarify the use of compulsory licenses.

12 So far, I have only touched upon the substantial economic benefits of the USSFTA. The strategic importance of the USSFTA is also immense. The USSFTA is the first FTA between the US and an Asian country. It will anchor the US in a fast changing Asia Pacific region. To Singapore, cross regional arrangements are strategically important. Trading arrangements that are solely defined within geographical boundaries risk breaking the world into regional trading blocs such as the European Union, the Americas and perhaps, one day, Asia. This will make for a more divisive and dangerous world. In this regard, the USSFTA is an important bilateral FTA that bridges the two regions.

13 The above are some of the reasons for Singapore's decision to negotiate FTAs as well as a brief description of some of our RTAs and FTAs.

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