



Department for  
International Trade

# **Continuing the United Kingdom's Trade Relationship with The Republic of Singapore**

TRADE AGREEMENT BETWEEN THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND THE  
REPUBLIC OF SINGAPORE

December 2020

# **Continuing the United Kingdom's Trade Relationship with The Republic of Singapore**

Presented to Parliament

by the Secretary of State for International Trade

by Command of Her Majesty

December 2020





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## Introduction

1. This report explains the Government's approach to delivering continuity in the United Kingdom's ("UK") trade relationship with The Republic of Singapore ("Singapore") (together "the Parties") now that the UK has left the European Union ("EU").
2. This is a report outlining the continuity trade agreement between UK and Singapore (the "UK-Singapore Agreement"), which continues, as far as possible, the effects of the existing EU-Singapore Free Trade Agreement ("EUSFTA") which was signed on 19 October 2018.
3. As the transition period provided for in the Withdrawal Agreement between the UK and the EU (the "Transition Period") comes to an end, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no-one's interests to disrupt existing trade flows.
4. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the UK's existing trade agreements with existing partners, through its previous membership of the EU, which remain during the Transition Period. The UK-Singapore Agreement is intended to take effect on the date the EUSFTA ceases to apply to the UK (or as soon as possible thereafter).
5. Wherever possible, the Government has sought a technical replication of the existing agreements, but in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect in a bilateral context.
6. The UK has agreed with many third countries (including Singapore) that the most appropriate and proportionate form of legal instrument to ensure continuity in the current circumstances is a short form agreement, which incorporates by reference the relevant provisions of the underlying EU-third country agreement with relatively few but necessary modifications. The advantages of the short form approach are set out below. Other agreements have been drafted in long form to reflect the wishes of the partner countries in question.

## Legal approach

7. The provisions of the EUSFTA are applied *mutatis mutandis*, that is, with the technical changes necessary to apply the UK-Singapore Agreement as if it had been concluded between the UK and Singapore in the first instance. The interpretive *mutatis mutandis* principle applies to most references to EU law so that, where appropriate, such references are to be read as references to retained EU law or to EU law incorporated in the law of the territories for whose international relations the UK is responsible when relevant EU law ceases to apply to the UK, or legislation in the UK or the territories that replaces that legislation. This has avoided the need to reproduce every page and has significantly reduced the volume of text required.
8. Where more substantive amendments were required to ensure operability in a bilateral context, or where the UK and Singapore jointly agreed that *mutatis mutandis* would

not deliver adequate certainty and transparency over rights and obligations, detailed amendments have been included in the Annex to the UK-Singapore Agreement.

9. The UK and Singapore have agreed that using a short form agreement was the most pragmatic and sensible approach in the circumstances. The objectives of short form agreements are:
  - I. The short form agreement can be drafted in such a manner as to accommodate different scenarios, such as the various possible outcomes of the UK's ongoing negotiations with the EU regarding the end state of the UK-EU relationship;
  - II. The format itself will send a clear message to businesses, consumers and investors in both the UK and Singapore that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the agreement; and
  - III. The approach will provide a clear legal text, making rights and obligations unambiguous where they had by necessity changed, yet reduce the burden on both countries of legal scrubbing, translation, domestic procedures and, potentially, ratification.

## **Background**

10. The UK-Singapore Agreement aims to maintain the effect of the EUSFTA, which was signed on 19 October 2018 and came into force on 21 November 2019. This is based on the UK Government's objective to continue the effect of existing arrangements now that the UK has left the EU. The UK-Singapore Agreement will take effect when the EUSFTA ceases to apply to the UK, at the end of the Transition Period.
11. The EU and Singapore started negotiations in March 2010 and concluded in October 2014. The EUSFTA) and the Investment Protection Agreement ("EUSIPA") were originally negotiated as a single text, but the EU and Singapore came to the joint decision to split them. . The UK and Singapore have decided not to incorporate the EUSIPA into the UK-Singapore Agreement. The existing bilateral investment treaty between the UK and Singapore ("BIT") continues to provide reassurance for investors and will be reviewed by the UK and Singapore under a commitment in the UK-Singapore Agreement.

## **Resources**

12. This report is intended to aid businesses, consumers and parliamentarians in understanding any significant differences made to the UK's trade relationship with Singapore by the UK-Singapore Agreement and the reasons for any changes, and their impact.
13. Should you wish to view the EUSFTA it can be found online on the European Commission website here: [EUR-Lex Website](#).
14. Should you wish to view the full text of the UK-Singapore Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty

ratification process in accordance with the Constitutional Reform and Governance Act 2010. The text will also be available on GOV.UK.

## Economic Background

15. This section provides a country-specific background analysis of trade between the UK and Singapore.

16. Singapore is the UK's 21<sup>st</sup> largest trading partner, accounting for 1.2% of total UK trade.<sup>1</sup> Total trade in goods and services between the UK and Singapore was £17.6 billion in 2019.<sup>2</sup>

17. In 2019, UK exports to Singapore were £10.7 billion, making it the UK's 16<sup>th</sup> largest export market (accounting for around 1.6% of all UK exports). UK imports from Singapore were £6.9 billion, making it the UK's 23<sup>rd</sup> largest import source (accounting for around 1.0% of all UK imports). Figures for trade flows between the UK and Singapore must be treated with caution given that they will capture substantial trade passing through its port but destined for (or originating from) other countries in the region.

18. **Table 1: Trade between the UK and Singapore, 2019 (£ billion)**

	Trade in goods	Trade in services	Total trade
UK exports to Singapore	6.1	4.6	10.7
UK imports from Singapore	2.9	4.0	6.9
Total trade	9.1	8.6	17.6

Source: ONS, (2020). UK total trade: all countries, non-seasonally adjusted (accessed 13<sup>th</sup> Nov 2020).

19. Using data from HMRC for trade in goods only, Table 2 shows that in 2019 the top UK goods exported to Singapore were machinery and mechanical appliances (HS84, £2.7 billion), electric machinery and equipment (HS85, £391 million), and beverages, spirits and vinegar (HS22, £349 million), together representing 65% of the total value of UK goods exported to Singapore. The UK's top goods imported from Singapore were machinery and mechanical appliances (HS84, £1.2 billion), precious stones and metals (HS71, £618 million) and electrical machinery and equipment (HS85, £375 million), together representing 65% of the total value of goods the UK imported from Singapore.

20. **Table 2: Top 5 UK goods exports to and imports from Singapore, 2019 (HS2<sup>3</sup>, £ million)**

<sup>1</sup> EU members are treated as individual trading partners with the UK.

<sup>2</sup> ONS (2020), [UK total trade: all countries, non-seasonally adjusted \(accessed 13<sup>th</sup> November 2020\)](#).

<sup>3</sup> The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes. HS2 refers to the high-level "chapters" of the HS system (i.e. the first two digits of the HS code).

<b>Top 5 UK goods exports to Singapore</b>	<b>Value</b>	<b>Top 5 UK goods imports from Singapore</b>	<b>Value</b>
Machinery and mechanical appliances	2,739	Machinery and mechanical appliances	1,191
Electrical machinery and equipment	391	Precious stones and metals	618
Beverages, spirits, and vinegar	349	Electrical machinery and equipment	375
Precious stones and metals	331	Ships, boats, and floating structures	219
Optical, photographic, cinematographic, and medical equipment	227	Mineral fuels and oils	195

Source: [HMRC trade statistics by commodity code](#) (accessed 13<sup>th</sup> November 2020). Sectors classified according to Harmonised System chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

21. In 2019, the UK exported £4.6 billion in services to Singapore and imported £4.0 billion in services. Table 3 shows that in 2019 'other business services' (comprised of sectors including legal, accounting, management consulting and others) was the largest UK service exported to Singapore, valued at £2.0 billion, with financial services following as the second largest export (£913 million). 'Other business services' was the largest UK service imported from Singapore, valued at £2.6 billion, with financial services following as the second largest import (£548 million).

**Table 3: Top UK services exports to and imports from Singapore, 2019 (£ million)**

<b>Top 5 UK services exports to Singapore</b>	<b>Value</b>	<b>Top 5 UK services imports from Singapore</b>	<b>Value</b>
Other Business Services	2,034	Other Business Services	2,632
Financial	913	Financial	548
Transportation	411	Transportation	414
Travel	367	Travel	164
Intellectual Property	355	Telecommunications, computer, and information services	70

Source: [ONS, \(2019\). UK trade in services: service type by partner country, non-seasonally adjusted](#) (accessed 16<sup>th</sup> November 2020).

*Note: ONS data is recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.*

## **UK businesses exporting to and importing from Singapore**

22. In 2019, HMRC estimated that around 10,300 VAT registered UK businesses exported goods to Singapore and around 3,400 imported goods from Singapore.<sup>4</sup> As these figures only include businesses trading in goods, they are likely to underestimate the total number of businesses trading with Singapore.
23. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in Great Britain traded either goods or services or both in 2018 with another country.<sup>5</sup> This was just under 15% of all VAT/PAYE registered businesses. There were around 211,100 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 188,400 (non-financial) registered businesses trading in services in 2018. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

## **Economic impact of the EUSFTA on the UK economy**

24. The EUSFTA entered into force on 21 November 2019. This brought most of the agreement into operation, reducing non-tariff measures and eliminating most tariffs between the EU and Singapore.

## **Potential loss to UK if the UK-Singapore Agreement is not ratified**

25. Not being able to bring into effect the UK-Singapore Agreement would result in UK businesses losing the preferences negotiated in the EUSFTA. The benefits derived from trading under preferences within the EUSFTA, such as increases in trade flows, may then be reversed.
26. It is unlikely that the entire effect of the UK-Singapore Agreement achieved so far would disappear. Tariffs would automatically revert to Most-Favoured-Nation (“MFN”) rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long run. For example, the UK might still benefit from any regulatory arrangements agreed because of the EUSFTA. Business connections formed because of the EUSFTA might endure.
27. The size of the impact of not bringing into effect the UK-Singapore Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the agreement.

## **Immediate impact if not brought into effect**

### **Impact of tariffs under current MFN rates**

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<sup>4</sup> HMRC (2020). [Regional trade statistics interactive analysis: first quarter 2020 \(accessed 13<sup>th</sup> November 2020\)](#). Proportional count method.

<sup>5</sup> ONS, (2019). [Annual Business Survey exporters and importers](#) (accessed 18<sup>th</sup> November 2020)

28. Much international goods trade takes place in products for which MFN rates are already zero. However, trade and association agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-Singapore Agreement is not brought into effect, tariffs between the two countries would revert to MFN rates for all trade. This would lead to an increase in duties on some Singapore exports to the UK. Singapore applies MFN zero rates on all products except for a small number of alcoholic beverages (beer and samsu), which means overall there would only be a minimal impact on tariffs applied on total UK exports.
29. To estimate the potential impact of losing tariff preferences, assumptions have to be made. It is assumed all current trade between the UK and Singapore occurred at the negotiated preferential tariff rates and current patterns of trade remained unchanged in the future. In that case, reverting to the UK and Singapore's current MFN tariff rates on the 1st January 2021 would result in an annual increase in duties on UK imports from Singapore of around £7 million. No additional duties on UK exports are expected since Singapore only applies MFN rates on a few tariff lines.<sup>6</sup> This is relatively small compared to the value of total trade with Singapore of £17.6 billion in 2019.
30. Please note these estimates assume that all tariff preferences offered under the EUSFTA are fully utilised by importers. This is unlikely to be true. The EUSFTA is too recent for estimates to be available, but evidence from other FTAs suggests preference utilisation rates are usually significantly below 100%. This is particularly pronounced for FTAs which have recently entered into force, as businesses may not have had time to become aware of savings and to learn how to access them.
31. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
32. The indicative estimates show that the largest implied increases in UK import duties would be for be in preparations of cereals, flour, starch of milk; pastrycooks' products (HS19) of £0.8 million, electrical machinery and equipment and parts thereof (HS85) of £0.4 million, and machinery and mechanical appliances (HS84) of £0.3 million.
33. Indicative estimates of implied additional tariff duties are provided above to provide a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Government of Singapore. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

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<sup>6</sup> DIT calculations using tariff data (from WTO Tariff Analysis and Word Integrated Trade Solution) and trade data from ITC Trade Maps (accessed October 2020) for exports calculations. DIT calculations using tariff data from the European Commission and Eurostat trade data (accessed October 2020) for imports. Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at CN8 level) and the value of trade in 2019 for each product at CN8 level. For exports, the tariffs that would apply as of 1<sup>st</sup> January 2021 are compared with the MFN tariffs that would apply in the absence of a deal. Different approaches and data sources for this analysis are likely to yield different results. Calculations on duties also assume trade is not eligible for duty relief under inward/outward processing rules, nor under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals, nor WTO or preferential quotas. Calculations on import duties take into account inward/outward processing rules and trade which is eligible for relief under specific plurilateral agreements but not WTO or preferential quotas.

## **Businesses**

34. Additional duties could be absorbed by either UK or Singaporean businesses, passed on to consumers, or existing trade patterns could be interrupted. This could impact the competitiveness of UK businesses, leading to disruptions in supply chains and job losses in the short term.
35. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Singaporean inputs. In 2016 (latest data), 15.4% of the value added in the UK's gross exports reflected imports from abroad, and 0.1% of this is from imports from Singapore (latest country-level data from 2015).<sup>7</sup> Given the small share of UK trade under the UK-Singapore Agreement, we would expect these impacts to be relatively small, but they could be noticeable for some specific companies.

## **Consumers**

36. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution. Consumers might also see a reduction in choice of products available. Given the small share of UK-Singapore trade in total UK trade, this impact may be relatively small overall, but could be noticeable on specific product lines.

## **Longer term impact if not entered into force**

37. In the long run, the UK would forgo the longer-term benefits that the EUSFTA would have brought to UK. This could result in the long-term UK Gross Domestic Product ("GDP") marginally decreasing if the UK-Singapore Agreement is not ratified.

## **Explanation of this Agreement, including Significant Differences between the UK-Singapore Agreement and the EUSFTA**

38. The UK-Singapore Agreement follows the short form approach, explained above in paragraphs 6 to 9 of this report. This section provides a discussion of changes in the UK-Singapore Agreement.

## **Removal and replacement of references to the EU**

39. Where necessary, references to the "European Union", "EU", "EU Party" and "Member State" (and similar terms) are replaced by references to the UK. Similarly, references to EU institutions, such as the European Commission, have been replaced, as appropriate, with references to the equivalent institutions in the UK (for example, the Competition and Markets Authority).

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<sup>7</sup> OECD, 2018. [Trade in Value Added \(TiVA\): Origin of value added in gross exports, December 2018](#). Experimental statistics.

## **Territorial Application**

40. The Territorial Application article sets out to which territories this agreement applies, and how it applies to them.
41. In the EUSFTA, the Territorial Application article defined the EU's territorial coverage of the agreement by referencing the EU treaties.
42. In the new UK-Singapore Agreement, the definition of the EU's territorial coverage has been replaced by a provision which provides that the agreement applies to the UK and the listed territories for whose international relations it is responsible in the same way as the previous agreement did.
43. The territories to which this agreement may apply have been separated into two categories based upon the application of the EU Treaties under EU law to date. These categories of territory, are:
  - a. The Crown Dependencies (Isle of Man, Jersey, Guernsey), to which, provisions relating to tariffs and trade in goods apply;
  - b. Gibraltar, to which, broadly, provisions not relating to goods or customs apply.

## **Amendment Provisions**

44. Amendment provisions set out the process that must be followed if the Parties agree to amend the provisions of the agreement after it enters into force. Though Parties to an agreement are generally free to amend it as they deem necessary, amendment clauses serve to make the process clearer and more transparent.
45. The UK-Singapore Agreement contains an amendment clause which outlines the process that must be followed if the Parties agree to amend the provisions of the agreement after it enters into force. Article 8 of the UK-Singapore Agreement provides that amendments must be agreed in writing and will enter into force following the Parties' notifications confirming that they have completed any necessary legal requirements and procedures. The UK-Singapore Agreement also enables the Trade Committee to amend, where provided for, specific annexes and the protocol to the agreement.
46. The retention of the substantive amendment provisions in the UK-Singapore Agreement does not commit the UK to making any changes to the agreement once it enters into force. It simply sets out a process which may be used if needed.

## **Entry into Force and Provisional Application**

47. Entry into force provisions specify the date from which the terms of the agreement will bind the Parties. Existing entry into force provisions have been replaced with new provisions to ensure that, whatever the scenario in which the EUSFTA ceases to apply to the UK, the UK-Singapore Agreement can enter into force as swiftly as possible. For the UK-Singapore Agreement to enter into force, it must first be ratified by both the UK and Singapore following written notifications certifying that they have completed their

respective applicable legal requirements and procedures. In UK domestic law, before an agreement subject to ratification may be formally ratified, it must be laid before Parliament for scrutiny under the Constitutional Reform and Governance Act 2010 (the "CRaG Act").

48. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the treaty can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating States for its entry into force, provided any necessary domestic implementing measures are in place. Where the negotiating states have agreed that a continuity agreement may be provisionally applied from the date the underlying EU agreement ceases to apply to the UK, the treaty may be operated provisionally from that date if this becomes necessary while, in the case of the UK, the treaty completes the procedures set out in the CRaG Act. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
49. The UK and Singapore have agreed to allow the UK-Singapore Agreement to be provisionally applied (see Article 9). Provisional application will automatically cease when the UK-Singapore Agreement enters into force. Given that the Government is seeking to maintain the effects of the existing EU agreements at the end of the Transition Period, this is a proportionate approach to manage time constraints during this unique period and reduces the risk of businesses and consumers experiencing disruption at the end of the Transition Period.

## **Trade Remedies**

50. Trade remedies provide a safety net for domestic industry against injury caused by unfair trading practices, such as dumped or subsidised imports, or against injury caused by unexpected surges in imports. Most World Trade Organisation ("WTO") members have a trade remedies system. The UK will operate its own system once the Transition Period comes to an end.
51. The UK-Singapore Agreement replicates the trade remedies provisions in the EUSFTA *mutatis mutandis*.

## **Dispute Settlement**

52. The economic benefits of a FTA can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the Parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism therefore provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes that arise.
53. The UK-Singapore Agreement replicates the effects of the dispute settlement provisions in the EUSFTA *mutatis mutandis*.
54. One of the impacts of replicating the dispute settlement chapters in the existing EU trade agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

# Annexes and Protocols

## Goods

55. Goods chapters in trade agreements set out the treatment and the level of access to the domestic market granted to goods of the respective Parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Singapore have been transitioned without changes (subject to certain variations with respect to rules of origin as outlined below). This means that tariff preferences applied by the UK for products from Singapore will remain the same as those applied by the EU on the date the UK ceases to be bound by the EUSFTA, and, likewise, Singapore will continue to apply the same preferences to products from the UK that it is applying to products from the EU.

## Rules of Origin

56. In FTAs, rules of origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must “originate” in one of the Parties to the agreement. Trade agreements may also allow materials originating and/or processed in a country other than the exporting Party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

57. There are two main categories relevant to determining whether goods “originate” in the exporting country for the purposes of a trade agreement:

- a. *Wholly obtained* – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
- b. *Substantial transformation* – These are goods that are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
  - i. *Value added* – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
  - ii. *Change in Tariff Classification (“CTC”)* – This type of rule requires that the final product be sufficiently different from the imported materials such that it moves to a different tariff classification altogether.
  - iii. *Specific processing or manufacturing* – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

58. During the Transition Period, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating

materials from and, processing in, the UK and the rest of the EU can be used interchangeably in bilateral trade with existing EU FTA partners. This will no longer be the case when existing EU FTAs stop applying to the UK. At this point, the designation of UK exports will shift from “EU” originating, to “UK” originating and EU content will (unless specific provision is made in new agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU and Singapore.

59. To address these implications and to provide maximum continuity for business, it has been agreed in the Rules of Origin Protocol of the UK-Singapore Agreement that EU materials can be recognised (i.e. cumulated) in UK and Singapore exports to one another. Furthermore, EU processing can be recognised (i.e. cumulated) in UK exports to Singapore. The possibilities to cumulate with other countries, as per the EUSFTA, are replicated in the UK-Singapore Agreement on the same terms. The cumulation arrangements are set out in detail in Section 2 (Definition of the concept of ‘originating products’) of the Rules of Origin Protocol and are subject to satisfying certain conditions specified in the agreement.
60. The text of the Rules of Origin Protocol can be found in the Protocol of the UK-Singapore Agreement.

## **Impact**

61. If cumulation of EU content for the UK and Singapore was not permitted under the UK-Singapore Agreement, some UK and Singapore based exporters might find themselves unable to access preferences as they are currently able to under the existing EU-Singapore Free Trade Agreement. Exporters who rely on EU content might have to revert to paying MFN tariff rates, if they continued using EU content, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, vary across sectors. In the case of exports to Singapore, there would be no impact because Singapore applies zero MFN duties on the vast majority of products.
62. The UK-Singapore Agreement provides only for trade between the UK and Singapore and does not provide for either party’s direct trade with the EU, including, for example, where UK and Singapore based exporters use content from each other in exports to the EU. The agreement includes a non-binding Joint Declaration committing the UK and Singapore to update the Rules of Origin Protocol of the UK-Singapore Agreement to reflect a trilateral approach with the EU, should the UK and EU reach an agreement which includes suitable rules of origin.

## **Origin Quotas**

### **Justification for policy change**

63. Origin quotas allow a more flexible test of origin to be applied for specified quantities of goods from certain tariff lines. They allow exporters who may have not be able to meet the fixed origin requirements in the list of product-specific rules to secure preferential access for a specified volume of their product.
64. The origin quotas in EUSFTA are all inbound (Singapore to EU) quotas, which were sized and agreed between the Parties having regard to the size of the EU and

Singaporean markets. In order for products to continue to benefit from the use of origin quotas in trade between the UK and Singapore, these quotas have been retained, subject to resizing, in the UK-Singapore Agreement.

65. The origin quotas in the UK-Singapore Agreement have been resized to set quotas to a sufficient level that will allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both sides.

66. Table four sets out the new UK origin quotas applicable under the UK-Singapore Agreement.

## Impacts

67. Without transitioning the origin quotas where there are historical trade flows, goods traded between the UK and Singapore that are currently covered by these quotas in the existing EU-Singapore Free Trade Agreement could face more restrictive rules of origin under the new UK-Singapore Free Trade Agreement.

68. The nature of the impact of the resizing will depend on a number of factors, including existing trading patterns and the response of domestic consumers and businesses to the change in origin quotas.

**Table Four: List of origin quotas applied by the UK for imports from Singapore and new quota volumes (tonnes, unless otherwise specified)**

Commodity codes	Product	UK Quota Volume for Full Administration Period (tonnes, except where otherwise specified)
ex16 01 00	Waxed sausages of chicken, pork and fresh liver	140
ex16 02 32 ex16 02 41 ex16 02 49 ex16 02 50	Canned luncheon meat of pork, chicken and beef Various types of chilled hams Samosa of ground beef or chicken Dumplings of poultry meat Chicken Shaomai Chicken glutinous rice Chicken and pork floss Chicken Gyoza	140
ex 16 03 00	Bottled essence of chicken series	140
ex 16 04 20  ex 16 04 20	Curry fish balls made of fish meat, curry, wheat starch, salt, sugar, and compound condiments	112

	Four colour rolls made of fish meat, crab stick, seaweed, bean curd skin, vegetable oil, sugar, salt, potato starch, monosodium glutamate and seasonings	
ex 16 04 16	Spicy crispy anchovies (sambal ikan bilis) made of anchovies, onion, chilli paste, tamarind, belachan, brown sugar, and salt	112
ex16 05 10	Crab balls made of wheat starch, salt, sugar, compound condiments, crab meat and filling	98
ex 16 05 90	Cuttlefish balls made of cuttlefish filling, wheat starch, salt, sugar, and compound condiments	98
ex 16 05 20 ex 16 05 20 ex 16 05 20	Hargow made of prawn, wheat starch, tapioca, water, scallion, ginger, sugar, and salt  Shaomai made of prawn predominantly, chicken, corn starch, vegetable oil, black pepper, sesame oil, and water  Fried prawn wonton made of prawn, salt, oil, sugar, ginger, pepper, egg, vinegar, and soy sauce.	98
ex 16 05 30	Lobster flavoured balls: cuttlefish meat, fish meat and crab meat.	98

## Sanitary and Phytosanitary ("SPS")

69. Sanitary and Phytosanitary ("SPS") articles in free trade agreements concern the application of food safety and animal and plant health regulations. These provisions in free trade agreements allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. FTAs may contain SPS provisions which, for example, can increase transparency in the application of SPS measures, or trading by allowing the recognition of equivalent measures in relation to animal health, or set and import requirements, including health certification.
70. A minor amendment was made to Article 5.15.2 of the EUSFTA to allow greater flexibility in triggering the first meeting of the SPS Committee after the agreement's entry into force. Modifications were also made to Articles 1 and 2 of Annex 5-A to the EUSFTA to update details of the competent authorities of both Parties. This will not have an impact on the operation of the agreement.

## Intellectual Property including Geographical Indications (GIs)

71. We have ensured that our existing obligations on intellectual property (“IP”) found in international and trade agreements remain in place. The UK will remain a member of the World Intellectual Property Organization (“WIPO”), and remain fully compliant with those WIPO treaties to which we are already a party. We will also remain fully compliant with the WTO’s agreement on the trade related aspects of intellectual property rights (“TRIPS”).
72. For UK and Singapore geographical indications (“GIs”), the UK-Singapore Agreement retains the protections provided in the EUSFTA. The retained protections extend to the “Irish Whisky/Irish Whiskey/Uisce Beatha Eireannach” and “Irish Cream” ‘cross-border GIs’, which can be produced anywhere on the island of Ireland. Accordingly these GIs will also continue to be protected under the UK-Singapore Agreement.
73. All other GIs which relate only to current EU Member States are not incorporated into the Annexes to the UK-Singapore Agreement. This is because the UK-Singapore Agreement is bilateral, and therefore, can only protect GIs of States that are party to the agreement. This has no effect on existing GI protections relating to EU Member States in Singapore, which will remain protected under the EUSFTA. We do not expect these changes to have an impact on bilateral trade flows between the UK and Singapore.
74. On 21 January 2013, a side letter to the EUSFTA was sent from Singapore’s Minister for Trade and Industry to the European Commission. This letter detailed a commitment from Singapore to commence and efficiently complete domestic procedures on an agreed list of EU GIs once Singapore had established a domestic GI scheme. Only paragraphs 3, 4 and 9 of this letter are relevant in a UK-Singapore context. Therefore paragraphs 3, 4 and 9 shall be incorporated into this Agreement and shall apply, with the same legal effect, *mutatis mutandis*.
75. As per the EUSFTA, the EU-Singapore Trade Committee was established to review a list of proposed GIs for protection that were set out in a second GI Annex, to be protected under the agreement after completion of opposition and committee procedures. We have provided that the UK-Singapore Trade Committee shall, in taking a Decision in relation to these GIs, rely on the outcome of any procedures for the protection of UK GIs that were concluded under the EU-Singapore FTA.

## Sustainability

76. The UK has long supported the promotion of our values globally and this will continue following the end of the Transition Period. The UK Government wishes to ensure economic growth, development and labour and environmental protection go hand-in-hand. We have replicated the content of the chapter on trade and sustainable development in its entirety in the new UK-Singapore Agreement.
77. Sustainability chapters often refer out to other (non-EU) international agreements on issues such as labour and environment, which the UK and the partner country is a member of in our own right and so these provisions will continue to apply following the end of the Transition Period.

## **Government Procurement**

78. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the Parties and provide enforceable market access commitments.
79. The UK-Singapore Agreement has retained the commitments on public procurement that relate to the UK and Singapore.
80. An amendment has been made in Annex 9-H (Means of Publication) of the EUSFTA to reflect the fact that upon entry into force of the UK-Singapore Agreement, the UK will provide Singapore with the details of means of publication of procurement notices in the United Kingdom. This will replace the reference to the Official Journal of the European Union. We do not expect this change to have an impact on trade flows.

## **Competition Policy and Subsidies**

81. Chapters or articles in trade agreements relating to competition, subsidies and state-owned enterprises help to ensure open and fair competition exists for both Parties. They set out key principles and can refer to domestic laws for each party.
82. Minor non-substantive technical changes have been made to this chapter to ensure that the effect of the provisions are replicated without altering the substance.
83. Annex 11-A, which gives an illustrative list of subsidies, has been removed from the UK-Singapore Agreement as this was not appropriate in the context of a bilateral agreement between the UK and Singapore. We do not expect this removal to have an impact.
84. Paragraph 1 of Article 11.7 of the EUSFTA, which incorporates the obligations of the Parties under the prohibited subsidy provisions of Article 3 of the WTO SCM Agreement. This has not been incorporated in the UK-Singapore Agreement. This removal will not affect either Party's ability to comply with their international commitment. WTO rules will continue to apply to both Parties
85. Paragraph 1 of Article 11.7 of the EU-Singapore Agreement incorporates the obligations of the Parties under the prohibited subsidy provisions of Article 3 of the WTO SCM Agreement and makes them subject to dispute settlement under the agreement. This has not been incorporated in the UK-Singapore Agreement. This removal will not affect either Party's ability to comply with their international commitments. WTO rules will continue to apply to both Parties.

## **Services**

86. Services chapters and corresponding annexes in trade agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments build upon the level of access and the treatment granted to all WTO members, whilst protecting governments' right to regulate their domestic markets.
87. Amongst the EU's FTAs with third countries, the content of the services chapters and depth of the commitments undertaken vary considerably. The variety of these services provisions have in some cases necessitated a bespoke approach to deliver continuity in services commitments between the UK and the third country. Some agreements

have not required amendment whilst others have required technical amendment to their text to deliver continuity of effect. Where such technical changes have been necessary the effects of the original commitments have been replicated as far as possible. Services chapters and corresponding annexes have been subject to such changes, in addition to the following changes outlined below. Services chapters and corresponding annexes have been subject to such change in addition to the following changes outlined below.

88. As noted in paragraph 11, investment protection obligations were included in the separate EUSIPA. This is not yet in force, and investment protection commitments between Singapore and the UK are continuing under the existing UK-Singapore BIT. Via a Joint Declaration, the UK and Singapore have committed to updating the investment protection commitments, with negotiations to start within two years of the entry into force of the UK-Singapore Agreement and endeavouring to conclude within four years.
89. Appendix 8-A-1 (Cross border supply of services) and Appendix 8-A-2 (Establishment) of the EUSFTA includes a market access reservation requiring that aircraft used by community air carriers are registered in the Member State licensing the air carrier or elsewhere in the community. For this reservation, 'Member State' and 'Community' references have been updated to 'UK' to apply in a bilateral context and the phrase beginning 'or elsewhere' has been removed. References to EU internal waterway arrangements, such as the 'Rhine-Main-Danube link' have been removed for the same purposes.
90. In Annex 8-A-2 (Establishment) references to the Treaty of the Functioning of the European Union have been removed, as has references to the practices of other Member States, in order to transition the EUSFTA into a bilateral context.
91. Changes have been made to Appendix 8-B-1 in Singapore's Schedules which provide for UK licensed entities to access Singaporean gas and electricity retail markets and for the possibility of UK licensed entities to operate and own Singaporean electricity and gas transmission and distribution network infrastructure. This is a positive change in terms of market access and UK investment opportunities. We do not expect this to have a significant impact on trade flows.
92. In Appendix 8-B-1, Singapore's market access commitments in the banking sector have changed. The EUSFTA contained a commitment on Qualifying Full Bank (QFB) licences which are the only way to access the domestic retail market in Singapore. In the EUSFTA, Singapore committed to offer the EU an additional QFB licence every time they offer one to other markets with an existing QFB licence (India, Malaysia, China or Australia), with the exception of the USA. This commitment has not been replicated in the UK-Singapore agreement. This change is not expected to impact current trade flows as it does not change the level of market access for the two UK QFBs already operating in Singapore.
93. Two UK banks currently operate with QFB privileges (HSBC and Standard Chartered) and both will benefit from additional benefits that go beyond the commitments within the EUSFTA. Both banks will be able to open an additional 10 new customer service locations under the UK – Singapore Agreement, which increases the baseline of customer services locations for a UK QFB to 35 from 25 in the EUSFTA. The UK-Singapore Agreement continues to allow both banks with existing QFB privileges to apply for 'significantly rooted' status under Singapore's 'Significantly Rooted Foreign Bank' (SRFB) regime which allows up to an additional 25 customer service locations. Standard Chartered was granted significantly rooted status earlier this year. The UK-Singapore Agreement also includes commitments

which allow banks with QFB privileges, which are determined to have a significantly higher degree of rootedness, to apply for an additional full bank licence.

94. Alongside these commitments, Singapore has also committed to conducting a review into e-wallet limits (which place limits on users of e-wallets (any account that stores electronic money) with regards to how much money they can send, spend or hold in their account), as well as to a dialogue with the UK on future access for overseas firms to Digital Wholesale Bank licences, which are captured in a Joint Declaration that sits alongside the other commitments in the UK-Singapore Agreement.

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