



India (CECA)

Negotiations for the India-Singapore Comprehensive Economic Cooperation Agreement (CECA) were launched on 27 May 2003 in New Delhi.



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The India-Singapore CECA was successfully concluded and was signed on 29 June 2005 during Prime Minister Lee Hsien Loong's State Visit to India. This landmark agreement is India's first CECA and Singapore's first comprehensive bilateral economic agreement with a South Asia economy. It also marks the first time that Singapore has included taxation agreement discussions in the process.

Benefits to Exporters to India

Singapore-based exporters will enjoy tariff elimination or reduction in 75 per cent of Singapore's domestic exports. The key sectors to enjoy tariff concession include electrical and electronics, instrumentation, pharmaceuticals and plastics.

Singapore and India signed the Protocol to amend the CECA for further tariff concessions for Singapore's exports to India. An additional list of tariff concessions was released on 15 January 2008. Under the Agreement, goods such as base metal, machinery and mechanical appliances, chemicals, plastic and rubber articles and textile and textile articles will enjoy reduced tariffs.

The general rule of origin is a combination of 40 per cent local content and a change in tariff classification at the four-digit level. CECA provides for a list of products that are exempt from the general rule.

CECA provides advance rulings on the eligibility of originating goods for preferential tariffs and tariff concession. This will provide exporters with greater certainty on the status of goods at the country of import.

Exporters can also look forward to Mutual Recognition Agreements to avoid duplicative testing and certification of products for entry into respective markets. The telecommunications sector is one key area being looked into.

Trade in Goods

The following modality shall apply for the elimination/reduction of basic customs duties by India:

- **List of Products for Early Harvest Programme**
On the originating goods of Singapore provided in this list, the duties shall be eliminated entirely.
- **List of Products for Phased Elimination in Duty**
On the originating goods of Singapore provided in this List, the duties shall be removed in five stages beginning from 1 August 2005 and such goods shall receive duty free entry into India from Singapore, effective 1 April 2009.
- **List of Products for Phased Reduction in Duty**
On the originating goods of Singapore provided in this List, the duties shall be reduced in five stages beginning 1 August 2005 and such goods shall receive entry into India at concessional duties.
- **List of Products excluded from any concession in Duty**
No concessions in duties shall be offered on goods provided in this List. Such goods whether originating or otherwise shall enter into India from Singapore on the applied MFN duties.

An additional list of tariff concessions was released on 15 January 2008. Under the Agreement, goods such as base metal, machinery and mechanical appliances, chemicals, plastic and rubber articles and textile and textile articles will enjoy reduced tariffs.

The Margin of Preference (MOP) offered by India to Singapore on specific products shall be calculated on the Most Favoured Nation (MFN) import duty applicable on the date of import. For example, if the MFN duty on a particular product is 20 per cent and India offers an MOP of 10 per cent to Singapore, the duty reduction for import

from Singapore will be 20 per cent – 10 per cent of 20 per cent (2 per cent). Hence, the applicable rate of duty for that particular originating product coming from Singapore will be $20 - 2 = 18$ per cent. If the MOP of 100 per cent is offered to Singapore, then such originating goods shall receive duty free entry into India from Singapore.

Rules of Origin

Products are deemed originating and eligible for preferential treatment if they conform to the origin requirement under any of the following conditions:

- 1) Products wholly produced or obtained in the territory of the exporting Party; or
- 2) Products not wholly produced or obtained in the territory of the exporting Party provided that the said products are eligible under Article 3.4 under CECA.

For products not wholly owned, it could be considered as originating if:

- 1) a) the total value of the materials, parts or produce originating from countries other than the Parties or of undetermined origin used in the manufacture of the product does not exceed 60 per cent of the FOB value of the product so produced or obtained; and
b) the product so produced or obtained is classified in a heading, at the four-digit level of the Harmonised System different from those in which all the non-originating materials used in its manufacture are classified; or
- 2) the product satisfies the Product-Specific Rules.

For the purposes of calculating the local value added content, either of the following methods can be applied:

$$\frac{\text{Value of Originating Materials} + \text{Direct Labour Cost} + \text{Direct Overhead Cost} + \text{Profit}}{\text{FOB Price}} \times 100\% \geq 40\%$$

or

$$\frac{\text{Value of Non - Originating Materials}}{\text{FOB Price}} \times 100\% \leq 40\%$$

Product-Specific

About 500 products have been given alternative Product-Specific Rules of origin that has a more liberal rule of origin than the general one. Examples of some products having Product-Specific Rules include cocoa butter, sewing machines, soya sauce, and static converters, among others.

Customs Documentation

The Certificate of Origin (CO) is available at the Singapore Customs (www.customs.gov.sg).

The exporter of the products qualified for preferential treatment should apply to the Singapore Customs requesting for the pre-exportation verification of the origin of the products. The result of the verification, subject to review periodically or whenever appropriate, shall be accepted as the supporting evidence in verifying the origin of the said products to be exported thereafter.

The validity of the CO shall be 12 months from the date of its issuance. The original copy, together with the triplicate, shall be forwarded by

the exporter to the importer for submission of the original copy to the Customs Authority at the port or place of importation. The duplicate shall be retained by the issuing authority in the exporting Party. The triplicate shall be retained by the importer and the quadruplicate shall be retained by the exporter.

The application for COs and all documents related to such application shall be retained by the Issuing Authority for not less than two years from the date of issuance.

Advanced Ruling

An exporter could seek the issuance of written advance rulings prior to the export of the good.

The importing authority may request at any time during the course of evaluating the request for an advance ruling, additional information necessary to evaluate the request. The importing authority shall issue its determination regarding the origin of the good within 120 days after receipt of all necessary information. However, the importing authority may modify or revoke an advance ruling:

- 1) if the ruling was based on an error of fact;
- 2) if there is a change in the material facts or circumstances on which the ruling was based; or
- 3) to conform with a modification of Chapter 3.

Where the importing authority modifies or revokes an advance ruling, such modification or revocation shall only take effect 60 days after the date on which the modification or revocation is issued, and shall not apply to the importation of a good that has occurred prior to the effective date.

The importing authority may revoke any advance ruling if the importer or exporter to whom the advance ruling was issued had provided false or incorrect information pursuant to the application for the ruling.

Apart from the advance ruling being revoked, the person who had provided the false or incorrect information shall also be liable to appropriate penalties under the domestic laws of the respective economies.

Mutual Recognition Agreement for Goods

The mutual recognitions agreement will eliminate duplicative testing and certification of products in specific sectors, and facilitate bilateral cooperation in several sectors. CECA provides a framework for concluding Mutual Recognition Agreements (MRAs) to eliminate duplicative testing and certification of products to facilitate entry of goods for sale in the respective markets. These sectoral MRAs serve to reduce costs and shorten time to market. This is especially useful for products with a short life cycle.

Two sectoral annexes for trade in electrical and electronic products and telecommunication equipment were concluded under the framework chapter. For products in these two sectors, testing and certification to Indian standards and technical regulations can be done at source. They do not have to be further tested or re-certified on arrival in the market. As most of these products have relatively short life cycles, the result is a reduction in relative cost and improved time to market competitiveness of Singapore certified products entering the Indian market and vice versa.

Of immediate benefit is the food sectoral annex where Singapore has facilitated the import of dairy and egg products, and packaged drinking water from India. This will widen the sources of supply for these food products in Singapore.

Trade in Services

The sectors that Singapore gets preferential access include business, construction and related engineering, financial, telecommunication, transport and tourism and travel related services.

For financial services, Singapore owned or controlled financial institutions have been given greater privileges to access the Indian market. In banking, DBS, OCBC and UOB can each set up a wholly owned subsidiary (WOS) in India to enjoy treatment on par with Indian banks in branching, places of operations and prudential requirements. Alternatively, should they choose to set up as branches, they have been allocated a separate quota of 15 branches (for all three banks) over four years, over and above the quota for all foreign banks.

For asset management, Singapore owned or controlled fund managers have the additional privilege of offering Indian investors mutual funds and collective investment schemes (CIS) listed on the Singapore Exchange (SGX) as well as exchange traded funds (ETF). These instruments offered by our asset managers are free from the restriction that they must only invest in entities that have a stake in Indian companies.

India has similarly lifted this limitation for India owned or controlled fund managers. Both Singapore and India owned or controlled fund managers can also invest an additional US\$250 million in equities and instruments listed on the SGX, including CIS, ETFs and mutual funds. This is in addition to the US\$1 billion cap that all asset managers can invest abroad.

For telecommunication services, India will bind its foreign equity limit from 25 per cent to 49 per cent for most services, including basic, cellular and long distance services and 74 per cent for Internet and infrastructure services. India will also ensure that telecommunication providers from Singapore are treated fairly, transparently and allowed to obtain access to the necessary public infrastructure in order to offer their services, thereby creating a more level playing field in India for Singapore's telecom providers.

Investment

The CECA investment chapter aims to promote and protect investments from both countries. The investment benefits extend to both citizens and enterprises based in Singapore or India. Singapore investors are not required to seek foreign investment approval for the sectors that India has committed. National Treatment is accorded to investors from both countries subject to the commitments (India) and reservations (Singapore) undertaken.

It covers a broad range of investment instruments and assets, such as equity and debt instruments and business licenses and permits. Investments in the nature of both Foreign Direct Investment (FDI) and portfolio investments are covered.

Both countries cannot expropriate investments, directly or indirectly, without proper legal safeguards. Expropriation must be premised on public purpose and compensation based on fair market value. Land expropriation will be governed by the domestic legislation of each country. Both countries will allow the investors to freely transfer funds related to their investments, such as capital, profits, dividends and royalties.

India has also agreed to bind its new regulations governing investments in the real estate sector.

Movement of Business Persons

Business visitors going into India for negotiating of deals and market exploration may apply for a multiple journey visa up to a validity period of five years provided the relevant terms and conditions apply. (Note: One criteria imposed is that applicable measures concerning the protection of public health and national security may limit the period of visa e.g. from five years to at most two years.)

Short term service suppliers who are going into India to provide a specific service (without a commercial presence) can stay for up to 90 days on a single visa with possible extension for further 90 days.

Intra-corporate transferees refer to personnel from businesses operating in both countries and that require the transfer of personnel such as managers and technical expertise between the two establishments. They can apply for a visa with validity period up to two years with possible extensions of up to three years at one time.

Professionals can also apply for a visa period of up to one year. The annex provides a list of 127 specific occupations.

All these provisions serve to increase the convenience of businesses and professionals without the hassle of going through the process of regular visa applications.

Dispute Settlement

Singapore and India have negotiated a comprehensive set of dispute settlement procedures for businesses.

Each party should accord adequate opportunity for consultations regarding any representations made by the other party with respect to any matter affecting the implementation, interpretation or application of CECA. The Parties shall make every effort to reach a mutually satisfactory resolution of any matter through consultations.

Any request for consultations shall be submitted in writing and shall give the reasons for the request, including identification of the measures at issue and an indication of the legal basis of the complaint.

If the consultations fail to settle a dispute within 60 days after the date of receipt of the request for consultations, the party that made the request for consultations may make a written request to the other party to appoint an arbitral tribunal.

The arbitral tribunal shall release to the parties its final report on the dispute referred to it within 60 days of its formation. When the arbitral tribunal considers that it cannot release its final report within 60 days, it shall inform the parties in writing of the reasons for the delay together with an estimate of the period within which it will issue its report.

Intellectual Property

Both Singapore and India are focused on mutual cooperation in all genres of intellectual property (IP), including the field of plant variety protection (PVP).

Specifically, there will be joint collaboration on training programmes, symposia, seminars and workshops; and for a start, the IP Academy Singapore and the IP Training Institute Nagpur are identified as the first centres for cooperation.