



The Gulf Cooperation Council (GSFTA)

The Cooperation Council for the Arab States of the Gulf (GCC) countries comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates agreed to launch negotiations on a free trade agreement during Singapore Prime Minister Lee Hsien Loong's official visit to Saudi Arabia in November 2006.

The GCC-Singapore FTA (GSFTA) was signed between Singapore Prime Minister Lee Hsien Loong and his GCC counterparts, President-in-Office of the GCC Ministerial Council and Qatar Prime Minister Sheikh Hamad bin Jassim Al Thani, and GCC Secretary-General Abdurrahman bin Hamad Al-Attiyah in Doha, Qatar on 15 December 2008.

The GCC-Singapore Free Trade Agreement (GSFTA) entered into force on 1 September 2013.

The Gulf Cooperation Council (GSFTA)

The GSFTA is a milestone agreement in strengthening ties between the GCC countries and Singapore, particularly because it is the first Free Trade Agreement (FTA) signed by the GCC and the second FTA that Singapore will be signing with the Middle East.

This is a comprehensive Agreement that encompasses Trade in Goods, Rules of Origin, Customs Procedures, Trade in Services and Government Procurement among others. In addition, it covers the recognition of the Halal certification of Singapore's Majlis Ugama Islam Singapura (MUIS).

Exporters whose goods qualify for the preferential tariff treatment for import into GCC and would like to claim preferential tariff status may apply for a Preferential Certificate of Origin from Singapore Customs.

Do note that the procedural requirements for claiming preferential tariff treatment is still not yet finalised. Nonetheless exporters whose goods meet the Rules of Origin requirements of the GSFTA can still choose to apply for a Preferential Certificate of Origin. Exporters must however be aware of the risk that you may encounter potential operational issues such as rejection of the Preferential Certificate of Origin when claiming preferential tariff rates with the GCC customs authorities. Exporters who face such issues are advised to keep all records of such trade and to share the relevant details with Singapore Customs at customs_roo@customs.gov.sg, or International Enterprise Singapore at enquiry@iesingapore.gov.sg. This will help us work more effectively with our GCC counterparts to resolve these issues as soon as possible.

Benefits to Singapore Exporters

With tariff eliminations on 99 per cent of Singaporean domestic exports to the GCC, Singapore based companies will benefit from a more competitive position vis-à-vis other foreign imports entering the GCC. Key sectors benefitting include telecommunication, electrical and electronic equipment, petrochemicals, jewellery, machinery and iron and steel-related industry.

The recognition of the Halal certification of Singapore's Majlis Ugama Islam Singapura (MUIS) will also pave the way for Singapore Halal certified products to gain faster access to the GCC countries.

Trade in Goods

The GSFTA's Trade in Goods Chapter provides for comprehensive tariff eliminations that will make Singapore goods more competitive vis-à-vis other foreign imports entering the GCC. The GSFTA will qualify 99 per cent of Singaporean domestic exports to the GCC for tariff-free concessions. Key sectors benefitting include telecommunication, electrical and electronic equipment, petrochemicals, jewellery, machinery and iron and steel-related industry.

The customs duty elimination schedule is outlined below:

- 1) Category A: Goods originating in Singapore in accordance with the provisions of Chapter 3 (Rules of Origin) shall be allowed import into the GCC free of customs duties, from the date of entry into force of this Agreement.
- 2) Category B: For goods originating in Singapore in accordance with the provisions of the Rules of Origin, the duties applicable to them shall remain at base rates for five years from the date of entry into force of this Agreement. Thereafter, such goods shall be allowed import into the GCC free of customs duties, one day after the Agreement has entered into force for five years.
- 3) Category C: Goods originating in Singapore in accordance with the provisions of the Rules of Origin shall not be subject to any elimination or reduction of WTO bound rates of customs duties under this Agreement.

Rules of Origin

For GSFTA, goods shall be deemed as originating goods of a Party and shall be eligible for preferential treatment provided they are wholly obtained or produced in the territory of the exporting Party; or have undergone sufficient working or production.

A good is considered to have undergone sufficient working or production in the territory of a Party if the good:

- 1) satisfies the product-specific rules of origin for the products specified in Annex 3; or
- 2) attains a qualifying value added of not less than thirty five per cent based on the ex-works price.

The following formula for qualifying value added shall apply:

$$\frac{\text{Ex-Works Price} - \text{N.O.M.}}{\text{Ex-Works Price}} \times 100\% \geq 35\%$$

Where

- 1) Ex-Works Price means the price paid for the good ex-works to the manufacturer in the Parties in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, minus any internal taxes which are, or may be, repaid when the good obtained is exported;
- 2) N.O.M. is the value of the non-originating materials.

The following operations or processes shall not be considered as sufficient production:

- 1) operations to ensure the preservation of goods in good condition during transport and storage;
- 2) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching, washing, painting, cutting;
- 3) changes in packing and breaking up and assembly of consignments;
- 4) simple cutting, placing in bottles, slicing and re-packing in flasks, bags, boxes, fixing on cards or boards, and all other simple packing operations;
- 5) affixing of marks, labels or other like distinguishing signs on goods or their packaging;
- 6) slaughter of animals;
- 7) any combination of two or more operations referred to in subparagraphs (1) to (7) above.

Product-Specific Rules

The following Product-Specific rules that apply to a particular tariff item are set out in Annex 3:

- 1) CTH: Change to this tariff item from any other heading.
- 2) CTSH: Change to this tariff item from any other subheading.

Customs Documentation

The certification of origin will be issued by the competent authority of each Party for the first two years after the date of entry into force of this GSFTA.

In the case of self-certification, for the purpose of obtaining preferential tariff treatment in the other Party, a proof of origin in the form of a certification of origin shall be completed in accordance with Annex 4. It should be signed by an exporter or producer of the exporting Party, certifying that a good qualifies as an originating good for which an importer may claim preferential treatment upon the importation of the good into the territory of the other Party.

Each party shall maintain in that territory for 30 months after the date of importation of the good the import documentation.

Advanced Ruling

Each Party shall provide for the issuance of written advance rulings as to whether the good qualifies as an originating good. This will be undertaken within 60 days from the date of receipt of an application for an advance ruling. The customs administration shall establish a validity period for an advance ruling of not less than two years from the date of its issuance.

The importing Party 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;
- 3) to conform with a modification of this Chapter; or
- 4) to conform with a judicial decision or a change in its domestic law.

Mutual Recognition Arrangement for Goods

The GSFTA shall strengthen co-operation in the field of technical regulations, standards and conformity assessment procedures, with a view to increasing the mutual understanding of their respective systems and facilitating access to their respective markets.

When a Party assesses that another Party has taken measures which have created an obstacle to trade, the Parties shall agree to hold consultations within the framework of the Joint Committee in order to find an appropriate solution. With respect to sanitary and phytosanitary measures, the Parties shall exchange names and addresses of their official contact points in order to facilitate technical consultations and the exchange of information.

The recognition of the Halal certification of Singapore's Majlis Ugama Islam Singapura (MUIS) will also pave the way for Singapore Halal certified products to gain faster access to the GCC countries. Within one year of the entry into force of this Agreement, the Parties will negotiate and make arrangements to provide for recognition by the GCC Member States of Singapore's Halal Certification Standards and Halal Mark.

Trade in Services

The trade in services chapter will provide Singapore service suppliers enhanced business opportunities in the GCC.

The GSFTA builds on the commitments made by Singapore and the GCC countries at the multilateral level, in particular, the WTO General Agreement on Trade in Services (GATS). Specifically, Singapore and the GCC have committed to liberalise various services sectors beyond its WTO commitments. Singapore will enjoy preferential access in the professional services such as the legal services, accounting services and engineering services; and business services such as construction services, distribution services and hospital services.

Broadly, the schedule of specific commitments includes the following:

- 1) Business services: professional services, computer and related services, rental and others;
- 2) Communication services;
- 3) Construction and related engineering services;
- 4) Distribution services;
- 5) Educational services;
- 6) Environmental services;

- 7) Financial services;
- 8) Health related and social services;
- 9) Tourism;
- 10) Recreational, cultural and sporting services; and
- 11) Transport services.

The following GCC countries will relax and bind the foreign equity limits in certain key sectors of interest to Singapore:

- 1) United Arab Emirates: Relax foreign equity limits in construction services, distribution services, hospital services and legal advisory services.
- 2) Qatar: the foreign equity limit is set at 49 per cent but allowed up to 100 per cent if the Singapore services supplier can demonstrate that he has sufficient experience.
- 3) Oman: allow 100 per cent foreign equity for construction services.
- 4) Kuwait: Bind the foreign equity limit for the following seven sectors at 100 per cent: construction; banking; insurance; information technology and software development; hospital and other health services; tourism and hotels; and culture, information and marketing.

Bahrain will bind its foreign equity limit for companies at 100 per cent, while Oman will bind its foreign equity limit for companies at 70 per cent across all sectors.

The above benefits will extend to the citizens, Permanent Residents, local companies as well as multinational companies (MNCs) based in Singapore or the GCC.

Investment

Under the GSFTA, Singapore and GCC countries that have yet to sign bilateral IGAs with Singapore have committed to complete negotiations within two years. Bahrain, Oman and Saudi Arabia had signed bilateral IGAs with Singapore. Kuwait, Qatar and the UAE are committed to completing negotiations for bilateral IGAs with Singapore within two years from the commencement of negotiations.

Movement of Natural Persons

The GSFTA provides rights and obligations to facilitate the movement of natural persons engaged in the conduct of trade and investment between the Parties. A natural person of a Party means a natural person who is a national or permanent resident of a GCC Member State or Singapore, according to their respective legislation. The presence of foreign natural persons as self-employers is not allowed.

Government Procurement

The GCC and Singapore have committed to maintaining an open and transparent system of procurement. It incorporates the principles and practices of the Government Procurement Agreement (GPA) at WTO level to give competitive opportunities to the suppliers of both sides to penetrate each other's market.

Singapore suppliers are also given the same price preference of 10 per cent that is given to the GCC domestic suppliers for the use of any goods or services that is produced in the GCC State for the procurement of goods and services listed in the Annexes to the Government Procurement Chapter

The following competitive threshold limits for government procurement opportunities from the central government entities will allow more companies to benefit from this area.

Bahrain

All Goods Threshold: SDR 140,000
All Services specified in Appendix 4 Threshold: SDR 140,000
All Construction Services specified in Appendix 5 Threshold:
SDR 6,000,000

Kuwait

All Goods Threshold: SDR 400,000
All Services specified in Appendix 4 Threshold: SDR 400,000
All Construction Services specified in Appendix 5 Threshold:
SDR 5,000,000

Oman

Goods Threshold: Euro 200,000
All Services other than those specified in Appendix 4 Threshold:
Euro 200,000
All Construction Services specified in Appendix 5 Threshold:
Euro 7,000,000

Qatar

All Goods Threshold: SDR 400,000
All Services Threshold: SDR 400,000
All Construction Services Threshold: SDR 20,000,000

Saudi Arabia

All Goods Threshold: SDR 3,000,000
All Services specified in Appendix 4 Threshold: SDR 5,000,000
All Construction Services specified in Appendix 5 Threshold:
SDR 20,000,000

United Arab Emirates

All Goods Threshold: SDR 134,000
All Services Threshold: SDR 134,000
All Construction Services Threshold: SDR 5,844,000

Singapore companies can find more information on the procurement opportunities from the following publications and websites:

- 1) Bahrain: official gazette and www.tenderboard.gov.bh
- 2) Kuwait: www.ctg.gov.kw
- 3) Qatar: www.ctc.gov.qa
- 4) Oman
 - a. Tender Board: www.tenderboard.gov.om/Eng/default.asp
 - b. Times of Oman: www.timesofoman.com
 - c. Oman: www.omandaily.com
- 5) Saudi Arabia

Notice of intended procurement (open tendering) will be published in Arabic in the following means of publication:

- a. Official gazette, Umm Al-Qura
 - b. Two local newspapers
 - c. On the procuring entity website
- 6) United Arab Emirates: egov.uae.gov.ae

Dispute Settlement

The GCC and Singapore have negotiated a comprehensive set of dispute settlement procedures. Disputes are subject to consultations, negotiations, conciliation and arbitration just like in the WTO, thereby enhancing the rule of law in international trade.

The Parties shall endeavour to resolve any dispute arising from this Agreement through consultations with the aim of reaching a mutually agreed solution.

A complaining Party may request in writing, to the Party complained against, for the establishment of an arbitration panel if:

- 1) consultations are not held within 30 days from the date of receipt of the request for such consultations;
- 2) the disputing Parties fail to resolve the dispute through consultations within 60 days after the date of commencement of the consultations, unless the disputing parties agree to continue the consultations; or
- 3) a disputing Party fails to comply with the mutually agreed solution within the agreed timeframe.

The arbitration panel award is final and binding from the date of its notification to the disputing parties. The arbitration panel's decision on the length of time required to implement the award will be final. The award must be complied with within this time. Where no time is prescribed for implementing the award, the award must be complied with within 90 days of the date of the notification of the award.

Source: www.fta.gov.sg