



# Australia (SAFTA)

Negotiations for the Singapore-Australia Free Trade Agreement (SAFTA) were launched on 15 November 2000 by the Prime Ministers of both sides at the fringe of the APEC Leaders' Summit. The Agreement came into force on 28 July 2003. Its second review was implemented on 2 September 2011.



## Australia (SAFTA)

SAFTA is a comprehensive Agreement covering the trade in goods and trade in services such as telecommunication and financial services, movement of business persons, government procurement, intellectual property rights, competition policy, e-commerce and education cooperation.

Following the second review and its amendments, Singapore companies and investors in Australia will now have greater certainty in their investments and protection of their Intellectual Property Rights, among other benefits. This is to ensure that the Agreement remains relevant and beneficial to businesses.

### Benefits to Singapore Exporters to Australia

Through SAFTA, Singapore and Australia have committed to eliminate tariffs on all Singapore and Australian products. As a result of tariff elimination in SAFTA, all Singapore products will be able to enjoy zero-tariff treatment upon entry into Australia.

The Rules of Origin (ROO) in SAFTA take into account operational patterns of companies in Singapore, including the shuttling of parts and components to and from Singapore during various stages of production.

The extension to sanitary and phytosanitary measures is significant as Australia is our second largest source of meat and meat products and our third largest source of fruit and vegetables. For cut orchids and other foliage, Australia is our third largest export market after Japan and the US. This will assist trading companies to expand their export and import activities.

Both Customs Administrations have agreed to simplify and improve their clearance procedures. Customs clearance and inspection procedures should be faster and more effective. Traders will benefit from faster turnaround time, which would lower compliance costs for Customs regulatory requirements.

The Government Procurement chapter increases the opportunities for Singapore suppliers to participate in procurement by 79 entities in the Australian Commonwealth government.

### Trade in Goods

The Trade in Goods section provides for immediate tariff elimination on all Singapore or Australian products entering the Australian and Singapore markets respectively, thereby reducing the cost burdens for Singapore businesses exporting to Australia. Savings from these preferential tariff concessions will enable Singapore exports to be more competitive vis-à-vis other foreign exports to Australia.

Singapore exporters can leverage on this competitive edge to either strengthen their current market share in Australia or penetrate the Australian market.

In the long run, such cost incentives are likely to attract more businesses to site their operations in Singapore to tap on the preferential concessions from SAFTA.

### Rules of Origin

- 1) Wholly obtained goods produced in the territory of that Party; or
- 2) Wholly manufactured in that Party from one or more of the following:
  - a) Un-manufactured raw products;
  - b) Waste and scrap produced in the territory of either Party;
  - c) Materials wholly manufactured within the territory of either Party; and/or
  - d) Materials that are determined by both Parties to be materials meeting the requirements of Article 3.1(b)(iii);
- 3) Goods partly manufactured in that Party, provided that the last process of manufacture was performed in the territory of that Party by, or on behalf of, the principal manufacturer and the allowable cost to manufacture the goods is not less than the 30 or 50 per cent of the total cost to manufacture the goods.

Hence, all products need only fulfil a general rule of a specified threshold of local value content of either 30 or 50 per cent. As Australia is based on ex-factory cost, it is calculated using the local value add. The formula is shown below.

$$\text{Local Value Add (\%)} = \frac{\text{('Local' raw material costs + direct labour costs + direct overhead cost)} \times 100\%}{\text{Ex-Factory Cost}}$$

### Outward Processing

The ROO take into account current and future production trends in Singapore. The ROO acknowledge the unique production pattern of Singapore currently, whereby certain stages of the production of the products are outsourced to lower cost centres (i.e. parts and components are shuttled to and from Singapore at various stages of production).

A review mechanism exists to take into account further technological developments that may impact on the manufacturing patterns of companies and, hence, the ROO.

### Customs Documentation

The exporting Party shall provide the opportunity for a principal manufacturer, a producer or an exporter to apply to an authorised body referred to in the Certificate of Origin Requirements for a Certificate of Origin (CO).

To prove that a product is Singaporean, an Australian importer will have to produce two documents to the Australian Customs at the point of importation:

- 1) a Certificate of Origin (CO) issued by Singapore Customs and;
- 2) a self declaration made by the Singapore exporter.

As the CO is valid for two years and the self declaration is not in any prescribed form, the cost of obtaining the documents in order to benefit from SAFTA will be minimal. The manufacturer or exporter that obtains a CO must maintain it for five years from the date of the CO.

### Mutual Recognition Arrangement for Goods

The Agreement provides for mutual recognition of test reports and/or certificates issued by the exporting country to testify that they meet with the mandatory requirements of the importing country. This means that products would be already customised for the intended market and removes the need for duplicative testing and/or certification in the importing country before the product can be sold. Hence, companies will be able to obtain savings on the cost of duplicative testing and/or certification. It extends the coverage to sanitary and phytosanitary measures (SPS). This is significant as Australia is our second largest source of meat and meat products and our third largest source of fruit and vegetables. For cut orchids and other foliage, Australia is our third largest export market, after Japan and US.

Customs clearance of products included in the Agreement is also expected to be faster. Due to the emphasis placed on the freshness of the perishable products, this fast track will enhance the competitiveness of Singapore's exports when compared to those from other countries.

The provision for regular exchanges and updates of regulatory requirements between Singapore and Australia will also help to speed up at the source. Australia will also notify Singapore promptly on any proposed changes to its mandatory requirements; hence, allowing Singapore exporters more time to comply with the new requirements before they come into effect.

### Trade in Services

Both Singapore and Australia have committed to services sectors in SAFTA beyond what has been committed at the WTO. Such services sectors include cultural, distribution, environmental, professional, recreational, sporting, transportation and tourism services.

With a negative-list FTA approach, all sectors are a priori liberalised with the exception of those reserved in Annex 4, which includes a list of measures that each country can continue to maintain, notwithstanding commitments in the chapter. This creates a more predictable business environment for Singapore businessmen, who would have a better knowledge of the sectors in Australia that are protected before entering into the Australian market.

### Mutual Recognition for Services

The Parties shall encourage their relevant competent bodies to enter into negotiations on recognition of professional qualifications and/or registration procedures with a view to the achievement of early outcomes.

### Investment

SAFTA's investment related provisions will increase Singapore's attractiveness as an investment location to Australian companies. The chapter focuses on two key elements, comprising provisions on (i) investment promotion and (ii) investment protection.

Investors who can benefit from this chapter are not limited to nationals of Singapore or companies owned by Singaporeans, but also include permanent residents and enterprises with substantive business operations in Singapore.

The main features are as follows:

- 1) The benefits extend to investors who are nationals or permanent residents of Australia and Singapore and enterprises that are owned or controlled by them.
- 2) The chapter includes both traditional investment instruments, such as stocks and equities, as well as debt instruments, intellectual property rights and rights conferred by licenses and permits.
- 3) Both countries cannot discriminate the other country's investors vis-à-vis their own investors. This means that a Singapore investor will enjoy the same treatment that Australia gives to its own nationals except for a number of industries where Australia has taken reservations.
- 4) The chapter also covers expropriation and compensations. Both parties cannot unduly expropriate investments unless the expropriation is premised on public purposes as defined in the Agreement. In the event that such expropriation occurs, the governments are required to afford compensation for the expropriated investment.
- 5) Both countries will allow the investors to freely repatriate and transfer funds related to their investments. This could include capital, dividends, profits and royalties.
- 6) The chapter provides investors greater confidence in investing since both countries have committed to allowing investors from either country, aggrieved of government actions that violate their benefits under this chapter, to take the dispute to an international arbitration tribunal for resolution

Foreign investments of more than A\$50 million require the prior approval of the Australia's Foreign Investment Review Board (FIRB). Foreign investments will be denied approval if they are assessed to be detrimental to Australia's national interest. Australia has set up a designated help desk to assist Singapore companies with issues relating to the national interest and information required for their investment application.

### Movement of Business Persons

This chapter covers two major categories of business persons directly

involved in cross-border trade and investments through the following commitments:

- 1) Business visitors will be permitted to enter and engage in business activities within Australia for a period of three months;
- 2) Intra-corporate transferees, including executives, managers and specialists within organisations will be permitted to stay and work in Australia for a committed period of up to 14 years.

Both parties have agreed to confer the same benefits on both citizens and Permanent Residents of the other country under this chapter.

Both countries have also committed that neither country shall require labour market testing, labour certification tests or other similar procedures as a condition for temporary entry of business persons.

### Government Procurement

Australia is not a Party to the Government Procurement Agreement at WTO level. However, this chapter within SAFTA opens up opportunities for Singapore suppliers to participate in procurement conducted by some 77 entities in the Australian Commonwealth government. Under the Agreement, suppliers from both parties will be treated equally as any locally established supplier. The other benefit is that there is no minimum threshold applicable under SAFTA.

The procurement opportunities can be found online at [www.tenders.gov.au/federal/index.shtml](http://www.tenders.gov.au/federal/index.shtml). The annual procurement plans of the Australian Commonwealth entities, as well as useful guides on selling to the Australian government, are available at this website.

The endorsed Supplier Arrangement (ESA) is used in the procurement of:

- auctioneering industries
- commercial office furniture
- information technology and major office machines

Suppliers must be pre-qualified for the purchase of submitting proposals. Information on ESA, including the application process, can be found at [www.esa.finance.gov.au](http://www.esa.finance.gov.au).

### Dispute Settlement

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

### Intellectual Property

Singapore and Australia agreed on intellectual property (IP) standards above their obligations under the TRIPS Agreement, with commitments to enhance dialogue and cooperation in IP-related activities in arenas of mutual benefit.

Both agreed to accede to the WIPO Internet Treaties, the WCT and the WPPT (WIPO Copyright Treaty and WIPO Phonograms and Performances Treaty), which provide for enhanced copyright protection, and to effectively entrench a common standard on industrial design protection via compliance with the provisions of the Geneva Act (1999) of the Hague Agreement.

In view of the developing technological changes in communications and media, both parties also affirmed elements of protection on digitisation of content and Internet communications.

In addition, on IP enforcement, both Singapore and Australia committed to effective enforcement of IP standards via efforts to improve communication between enforcement agencies, including cooperation on information exchange on IP education and awareness programmes.