

Testimony of
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U.S.-SINGAPORE FREE TRADE AGREEMENT

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INTRODUCTION

Thank you Mr. Chairman, Mr. Leahy, and Members of this Committee, for inviting me to testify today on the U.S.-Singapore Free Trade Agreement (FTA) and for this Committee's guidance during the negotiating process. I welcome this opportunity to review the accomplishments of the FTA and present the Administration's request for favorable consideration of legislation needed to implement the FTA.

The U.S.-Singapore FTA reflects a bipartisan effort to conclude a trade agreement with a substantial and important trading partner. The FTA was launched under the Clinton Administration in November 2000, concluded under the Bush Administration and signed by President Bush and Singaporean Prime Minister Goh on May 6, 2003.

The U.S.-Singapore FTA is a world-class agreement. It is the first FTA President Bush has signed with any country and our first with an Asian nation. This Agreement provides commercial and political benefits for both the United States and Singapore. Strengthening economic ties helps secure strong political interests.

The U.S.-Singapore FTA will enhance further an already strong and thriving commercial relationship. Singapore was our 12th largest trading partner last year. Annual two-way trade of goods and services between our nations exceeded \$40 billion. Expanding this trade will benefit workers, consumers, industry and farmers. Independent analyses found significant economic gains will result from the FTA for the United States and Singapore.

The FTA is comprehensive in scope and covers aspects of trade in goods, services, investment, government procurement, protection of intellectual property, competition policy and the relationship between trade and labor and environment. This FTA builds upon the basic provisions of the NAFTA and WTO agreements and improves upon them in a number of ways. The U.S.-Singapore FTA can serve as the foundation for other possible FTAs in Southeast Asia.

President Bush envisaged this prospect when he announced his Enterprise for ASEAN Initiative (EAI) last year.

The Administration looks forward to working with Congress on the legislation needed to implement this FTA. We hope to be in a position to submit this legislation after further work with the Congress.

SUMMARY OF THE U.S.-SINGAPORE FTA

Let me summarize some of the highlights of the U.S.-Singapore FTA.

The United States already enjoys duty-free access for almost all products entering Singapore's market. The FTA ensures that Singapore cannot increase its duties on any U.S. product. For Singapore products entering the U.S. market, duties are phased-out at different stages, with the least sensitive products entering duty-free upon entry into force of the FTA and tariffs on the most sensitive products phased-out over a ten-year period.

Services are a major segment of the U.S. economy. Under the FTA, Singapore will provide substantial access for all types of services - subject to a few exceptions - and treat U.S. services suppliers as well as it treats its own suppliers. Singapore will also ensure that we receive the best treatment that other foreign suppliers receive. Singapore's services market access commitments include: financial services, such as banking and insurance; construction and engineering; computer and related services; telecommunications services; tourism; professional services, such as architects, accountants and lawyers; express delivery; and energy services. In many of these areas Singapore agreed to bind its market access commitments at levels that provide substantially better access than that which it currently offers to other WTO Members. In the telecom sector, for example, Singapore's WTO commitment includes a closed list of services and only three basic telecom operators. Under the FTA, the scope of services, and number of operators is unlimited. Singapore has also agreed to liberalize express delivery services and other related services that are part of an integrated express delivery system and will not allow its postal services to cross-subsidize express letters.

In a move that U.S. services industries strongly support, the FTA takes a different approach to making services commitments than the WTO GATS Agreement. The FTA uses a "negative list" approach. While a country's commitments under the GATS Agreement are limited to those sectors listed in that country's schedule, under the FTA, unless Singapore expressly includes a limitation on a particular service, U.S. suppliers will be allowed to provide that service. This approach ensures the broadest possible trade liberalization.

The FTA includes provisions for the temporary entry of business visitors, which facilitates trade in services. These provisions strike a careful balance between the needs of the U.S. services industry to provide competitive services while preserving the right of Congress to legislate on immigration policy. The international mobility of business persons has become an increasingly important component of competitive markets for suppliers and consumers alike. U.S. companies developing new markets and business opportunities need to be able to move their personnel quickly. These provisions address only temporary entry and explicitly exclude citizenship, permanent residence, or employment on a permanent basis.

The U.S.-Singapore FTA also provides important protection for U.S. investors. U.S. foreign direct investment in Singapore as of 2001 was over \$27 billion. The Agreement ensures a secure and predictable legal framework for such investment. U.S. investors will be treated as well as Singaporean investors or any other foreign investor. The investment provisions draw from U.S. legal principles and practices, including due process and transparency. These investor rights are backed by effective and impartial procedures for dispute settlement. At the same time, Singaporean investors are not accorded greater rights than U.S. investors in the United States.

The FTA is innovative and state-of-the-art in a number of other ways, including its protection of intellectual property rights (IPR) which builds upon the WTO's Agreement on Trade-Related Aspects of Intellectual Property, provides strong protection for new and emerging technologies and reflects standards of protection similar to those in U.S. laws. For example, this FTA specifically requires that plant and animal inventions be patentable and contains obligations which address the growing concerns of piracy on the Internet embodied in the United States by the provisions of the Digital Millennium Copyright Act. The FTA also requires the Parties to extend the minimum term of copyright protection from 50 to 70 years. In the patent area, the FTA requires the Parties to extend the patent term for any loss of protection due to regulatory delays and ensures that a patent can only be revoked on the grounds that would have justified its refusal. In addition, the FTA protects confidential test data against unfair use for five years for pharmaceuticals and ten years for agri-chemicals. This chapter also contains IPR enforcement provisions that are significantly stronger than those contained in the TRIPS Agreement, thereby enhancing the ability of U.S. IPR owners to protect their rights in Singapore.

Enhanced transparency is another important feature of this FTA. An entire chapter is devoted to notice and comment procedures that are modeled on the U.S. Administrative Procedures Act. In addition, many of the other chapters contain specific provisions to ensure regulatory transparency - e.g., in the chapters on services, financial services, competition, government procurement, customs administration, investment, telecom, and dispute settlement.

Improved transparency can be an effective deterrent to combat corrupt business practices. In addition, the United States and Singapore expressly affirm in the FTA their strong commitments to effective measures against bribery and corruption in international business transactions.

The chapter on electronic commerce also breaks new ground. The FTA establishes for the first time explicit guarantees that the principle of non-discrimination applies to digital products delivered electronically (e.g., software, music, videos). This chapter also creates the first binding prohibition on customs duties being levied on digital products delivered electronically and where these products are stored on physical media (e.g., on a CD or DVD) duties are assessed on the value of media as opposed to the content. In addition, the chapter memorializes the principle of avoiding barriers that impede the use of electronic commerce.

Similarly, the telecommunications chapter achieves significant advances over the work undertaken in the WTO. The full range of telecommunication issues, i.e., reasonable and non-discriminatory access to networks, transparent rule making by an independent regulator, and adherence to the principles of deregulation and operator choice of technology - are addressed in a way that opens Singapore's market, while recognizing the U.S. and Singapore's respective right to regulate these sectors.

The competition chapter of the FTA is worth noting because we were faced with a somewhat unique situation in Singapore. Since Singapore's independence about four decades ago, the Government has invested in the private sector - through so-called government-linked companies (GLCs). While Singapore has welcomed foreign investment and treated it fairly, we wanted the FTA to contain certain protections for U.S. firms relating to sales to, and purchases from, these companies. In particular, we wanted to make sure that GLCs in which the Government of Singapore could have effective influence acted in accordance with commercial considerations; did not discriminate against U.S. goods, services and investments; and did not engage in anti-competitive practices. In addition, Singapore will enact laws that will proscribe anti-competitive business conduct and establish an authority to enforce such laws.

The U.S.-Singapore FTA addresses the sensitive areas of trade and labor and environment in a way that achieves Congressional objectives stated in the Trade Act of 2002. Singapore has agreed to consult on its laws in these areas and conduct cooperative activities. The FTA also commits both countries to enforce their respective labor and environment laws and recognizes that it is inappropriate to weaken or reduce such laws to encourage trade or investment.

The FTA contains a number of provisions to ensure that the United States and Singapore are the actual beneficiaries of the Agreement. First, the FTA uses strong but simple rules of origin designed to ensure that it is U.S. and Singaporean goods that benefit from the FTA.

Second, the chapter on customs administration improves the exchange of information between the United States and Singapore, which is critical to modern risk management practices. The FTA also contains specific, concrete obligations on how customs procedures are to be conducted. Such procedures will help enable U.S. customs to combat illegal transshipments of goods, including on products violating the intellectual property rights provisions - such as pirated CDs.

Third, the textile and apparel chapter contains specific rules on monitoring Singapore's production and extensive anti-circumvention commitments - such as reporting, licensing, and unannounced factory checks. These provisions are designed to ensure that only qualifying U.S. and Singaporean textiles and apparel receive tariff preferences.

Finally, the dispute settlement provisions of the FTA encourage resolution of disputes in a cooperative manner and provide an effective mechanism should such an approach not prove to be successful. If a Party is found to be in breach of the FTA, it will be asked to bring its offending measure into compliance. Failing that, the preferred remedy is trade-enhancing compensation. If compensation is not possible, the system allows the aggrieved Party to take other action without formal approval of a dispute settlement body. Provisions relating to payment of fines until a measure is brought into conformity with the Agreement is a new feature of the dispute settlement system. Other specific provisions relating to fines apply in the context of dispute involving a Party's failure to enforce its labor or environment laws.

FTA PROCESS

The U.S.-Singapore FTA is truly a bipartisan effort - begun under the Clinton Administration and concluded by Bush Administration. On May 6, President Bush signed this historic FTA.

The U.S.-Singapore FTA is the first agreement that will be implemented under the trade promotion authority (TPA) procedures set out in the Trade Act of 2002 (Trade Act). Even before receiving Congressional guidance under the Trade Act, the process of developing U.S. proposals and concluding the FTA was open and transparent. USTR held public briefings, consulted frequently with Congress public sector advisors and sought public comments on the negotiations as they proceeded. Proposed texts were made available to members of Congress and advisors in advance of their presentation to Singapore, and in December, the Congress and our advisors had access to the full draft of the FTA. At that time, USTR also posted a summary of the FTA on our public web site. On March 6, USTR posted the entire draft of the FTA on the USTR web site.

As with other Agreements, such as the NAFTA and the WTO Agreements, our private sector advisors are required to submit reports to the President, the Congress and the USTR providing their assessments of the extent to which the FTA achieves the objectives, policies and priorities set out in the Trade Act. Of the thirty-one advisory committees that provided TPA-required reports on the U.S.- Singapore FTA, only one committee opposed this agreement.

A TEMPLATE FOR FUTURE AGREEMENTS IN THE REGION

Last October, President Bush announced the Enterprise for ASEAN Initiative EAI in recognition of this important region. The EAI offers the prospect of FTAs with individual ASEAN nations, leading to a network of FTAs in the region. The U.S.-Singapore FTA can serve as the foundation for these other possible FTAs. The ASEAN includes the largest Muslim country in the world - Indonesia - as well as other countries with large Muslim populations, including Malaysia, the Philippines and Brunei.

CONCLUSION

The U.S.-Singapore FTA is the most comprehensive and up-to-date trade agreement the United States has concluded. This FTA commands widespread support in the private sector and makes progress in achieving each of the relevant objectives, purposes, policies and priorities that the Congress identified in the Trade Act.

The Administration looks forward with working with this Subcommittee and the full Congress in enacting the legislation necessary to implement the Agreement. We hope we can count on your support. Thank you, Mr. Chairman. I would be pleased to respond to questions.