



THE
UNITED STATES
SINGAPORE

FREE TRADE AGREEMENT
Highlights and Insights

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TOMMY KOH · CHANG LI LIN
Editors



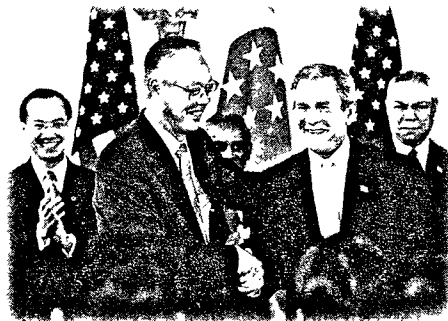
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TUN DR. MAHATHIR MOHAMAD

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edited by

TOMMY KOH
CHANG LI LIN

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George Yeo, Minister for Trade and Industry, Singapore; Goh Chok Tong, Prime Minister of Singapore; S. Jayakumar, Minister for Foreign Affairs and for Law, Singapore; George W. Bush, President of the United States of America; and Colin L. Powell, U.S. Secretary of State.

Source: Reuters

**THE UNITED STATES-SINGAPORE FREE TRADE AGREEMENT:
HIGHLIGHTS AND INSIGHTS**

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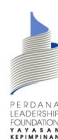
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Foreword

Every free trade negotiation has its unique history. The United States-Singapore Free Trade Agreement (USSFTA) was conceived one dark stormy night in Brunei after a round of night golf between Prime Minister Goh and President Clinton. Then USTR Charlene Barshefsky played a critical role in making this happen. It was one of the final acts of the Clinton Administration. When George W. Bush became President two months later, he and USTR Bob Zoellick were fully committed to the early conclusion of the negotiations. Ambassador Zoellick reminded me that years earlier, when he was Undersecretary to Secretary of State James Baker, he had proposed an FTA with us but we were then not prepared to open up some of our services sectors.

Apart from the benefits of increased trade and investment in goods and services, both sides wanted the agreement for strategic reasons. For the U.S., a good agreement establishes a template for future free trade agreements with other countries particularly in the area of intellectual property. It also signals the U.S.'s long-term commitment to Asia.

For Singapore, the Free Trade Agreement strengthens us as a hub for manufacturing and services. We also knew that it was the first step towards a closer relationship between ASEAN and U.S., which is of strategic importance not only to Singapore but to all of Southeast Asia. The Agreement is therefore an important bridge across the Pacific built at the right place and at the right time. So many people on both sides took part in its construction. As was to be expected, there were many problems to be solved along the way. In the end, we were able to build in less than two years a structure which is solid and elegant, and already serving the purposes for which it was intended. I thank IPS and SBF for compiling this record.



George YEO
Minister for Trade and Industry, Singapore
February 2004

January 2004 is indeed a historical moment as the United States-Singapore Free Trade Agreement (USSFTA), the first ever agreement between the U.S. and an Asian-Pacific country has been implemented. It has been a long but patient wait of three years since the announcement by the leaders of the two countries to launch the USSFTA back in November 2000. We have finally reached this stage, when the agreement has finally become law where businesses will be able to benefit from it.

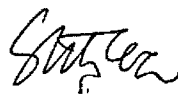
The past few years had been most difficult: gloomy global economic situation; terrorist attacks; Severe Acute Respiratory Syndrome (SARS); and bird flu outbreak had all affected businesses worldwide. However, there are some signs that we are heading towards a recovery. The U.S., the world's largest economy, is showing evidence of recovery: manufacturing and property markets are picking up, and the improvement in employment and consumption also point to an improving economic performance in 2004.

Thus the implementation of the U.S.-Singapore trade pact comes at the most appropriate time. Besides, enabling improved market access and tariff savings for Singapore's exports to the U.S., the agreement will help generate better-paying jobs and opportunities for businesses and people, both in Singapore and in the United States.

I must appraise the great work done by the Singapore negotiation team, led by our Ambassador-at-Large Professor Tommy Koh. Under his guidance, the team comprising senior government officials and subject experts had worked hard for the past three years with many rounds of negotiation to reach an agreement with their U.S. counterparts. On behalf of all businesses in Singapore, I would like to express our sincere appreciation to every single member of the team.

It interested me when Professor Koh told me about writing this book, with the idea of sharing the insights they faced throughout the

negotiation process. I am glad to listen to some light-hearted stories from Professor Koh himself, amidst the hard work of negotiation. As his books usually are, I find this book very enjoyable, and I believe you would share my sentiments after reading it.



Stephen LEE
Chairman
Singapore Business Federation

The United States-Singapore Free Trade Agreement (USSFTA) came into force on 1 January 2004. This is a significant agreement for both countries for three reasons. First, this is America's first free trade agreement with an Asian country. Second, this agreement is a token of the U.S.'s engagement with the region. Third, the USSFTA can serve as a useful template for America's negotiations with other Asian countries and economies. It can also serve as a building block for an eventual ASEAN-U.S. FTA.

As the Institute of Policy Studies (IPS) focuses, *inter alia*, on United States-Singapore relations, and as our director is also Singapore's chief negotiator, it seems only logical for the institute to publish a book on the USSFTA.

In this book, we have tried to capture insights into the negotiating process as well as highlights of the most important chapters of the agreement. It is our hope that this book will be useful to a wide community of readers including business people, trade negotiators and students of negotiations.



Hsuan OWYANG
Chairman
IPS Board of Governors

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List of Abbreviations

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AFL-CIO	American Federation of Labour-Congress of Industrial Organizations
AFTA	ASEAN Free Trade Area
AGC	Attorney-General's Chambers
AGO	African Growth and Opportunities Act
AmCham	American Chamber of Commerce in Singapore
ANZSCEP	Agreement Between New Zealand Singapore on a Closer Economic Partnership
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine
ATPA	Andean Trade Preference and Drug Eradication Act
CBTPA	Caribbean Basin Trade Partnership Act
CDs	Compact Discs
CODEL	Congressional Delegation
CSFTA	Canada-Singapore FTA
CSIS	Centre of Strategic and International Studies
CTC	Change in tariff classification
DIY	Do-It-Yourself
DMCA	Digital Millennium Copyright Act
DOC	Department of Commerce
DVD	Digital Video Discs
EAI	Enterprise for ASEAN Initiative
EFTA	European Free Trade Association
EPO	European Patent Office
ERC	Economic Review Committee
FCC	Federal Communications Commission
FDI	Foreign Direct Investment
FICPI	International Federation of Intellectual Property Attorneys
FTA	Free trade agreement
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GLC	Government-linked Companies
GNP	Gross National Product
GST	Goods and Services Tax
HS	Harmonised Commodity Description and Coding System
ICT	Information and Communication Technology
IDA	Infocomm Development Authority
IES	International Enterprise Singapore
IIE	Institute for International Economics
IISS	International Institute for Strategic Studies
ILO	International Labour Organisation
IM	Intersessional meetings

IMC	Inter-Ministry Committee
IPR	Intellectual Property Rights
IPS	Institute of Policy Studies
ISI	Integrated Sourcing Initiative
ISP	Internet Service Provider
IT	information technology
ITU	International Telecommunication Union
ITC	International Trade Commission
JPO	Japan Patent Office
JSEPA	Agreement between Singapore and Japan for a New Age Economic Partnership
MAS	Monetary Authority of Singapore
MFA	Multi-Fibre Arrangement
MFN	Most Favoured Nation
MNCs	Multinational Companies
MOF	Ministry of Finance
MTI	Ministry of Trade and Industry
NAFTA	North American Free Trade Agreement
NTM	Non-Tariff Measures
NWC	National Wages Council
OP	Outward Processing
PhRMA	Pharmaceutical Research and Manufacturers of America
PNTR	Permanent Normal Trading Relations
QFB	Qualifying Full Bank
ROO	Rules of Origin
RVC	Regional value content
SAFTA	Singapore-Australia FTA
SARS	Severe Acute Respiratory Syndrome
SBF	Singapore Business Federation
SIT	Substantially Impeded Transfer
SME	Small and Medium Enterprise
SME	Square Meter Equivalents
SNEF	Singapore National Employers Federation
SNTUC	Singapore National Trades Union Congress
STAFFDEL	Staffers' Delegations
TAFF	Textile and Fashion Federation
TEU	Twenty-foot Equivalent Unit
TIFA	Trade and Investment Framework Agreement
TPA	Trade Promotion Authority
TPL	Tariff Preference Level
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNCLOS	United Nations Convention on the Law of the Sea
UPOV	International Union for the Protection of New Varieties of Plants
UPS	United Parcel Service
UPU	Universal Postal Union
USABC	United States-ASEAN Business Council

USSFTA	United States-Singapore Free Trade Agreement
USTR	United States Trade Representative
UTC	United Technologies
WB	Wholesale Bank
WCT	WIPO Copyright Treaty
WDA	Workforce Development Agency
WIPO	World Intellectual Property Organization
WMD	weapons of mass destruction
WPPT	WIPO Performances and Phonograms Treaty
WTO	World Trade Organization
WTO-ATC	WTO Agreement on Textiles and Clothing

Section I

Introduction

1

The USSFTA: A Personal Perspective

Tommy T. B. KOH¹

This is the story of the vision to conclude a free trade agreement between the United States and Singapore. It is the story of how that vision was eventually realised.

THE BACKGROUND

1982: Bill Brock's Proposal

The journey began in 1982. At that time, the United States Trade Representative (USTR) was Senator Bill Brock of Tennessee. Senator Brock had an able young staffer called Doral Cooper. She was an early supporter of the Association of Southeast Asian Nations (ASEAN). She persuaded Senator Brock to propose the idea of concluding a free trade agreement between ASEAN and the United States. ASEAN was, however, not ready for such a bold idea and did not take up Senator Brock's proposal.

¹ Chief Negotiator, Singapore. Tommy Koh is Ambassador-At-Large at the Ministry of Foreign Affairs; Director of the Institute of Policy Studies and Chairman of the National Heritage Board. He is a Director of SingTel and Chairman of the Chinese Heritage Centre. He is also a Professor of Law at the National University of Singapore. He served as Singapore's ambassador to the United States from 1984 to 1990. The views expressed in this article are those of the author and do not necessarily represent the views of the Singapore Government.



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On 1 January 2004, the United States–Singapore Free Trade Agreement (USSFTA) came into force. The USSFTA was the result of a two-year negotiation process which started towards the end of the Clinton Administration and concluded under the Bush Administration. How did the negotiation process straddle the two administrations? What is the rationale for the FTA? What were the unique features of the negotiating process? Was negotiating with the US different from negotiating with other countries? How will the FTA benefit the two countries? What is the impact on ASEAN, APEC and the WTO?

This book captures some of the personal insights thrown up in the negotiations and offers highlights and analysis of the USSFTA. Contributors to the volume include the Chief Negotiators of the two delegations, the US and Singapore Ambassadors, key negotiators and close observers of the process. Selected key documents pertaining to the USSFTA process have also been included. This book is a comprehensive reader on the story behind the negotiations of the USSFTA.

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