

## Customs Flash

### News you can count on



4 October 2013

#### **Update on EU Free Trade Agreements: Agreement with Singapore published; deal with Central America becomes effective for trade with Costa Rica and El Salvador**

The European Commission recently published the draft text of the **Free Trade Agreement (FTA)** between **Singapore** and the European Union (EU), the first comprehensive trade deal between the EU and a south-east Asian country. Although the text is not yet formally approved and ratified by the European Council and the Parliament, it already gives a detailed insight on what to expect from this agreement.

The EU Commission expects that once the FTA becomes effective, exports from the European Union to Singapore can potentially rise to €1.4 billion over the next 10 years, whereas Singapore's exports to the EU could rise by some €3.5 billion during the same period.

Some highlights of the FTA:

- Existing technical trade barriers will be removed between both economies for different sectors. In this respect, economic operators of the automotive or electronic industry will for instance no longer face certain duplicated certification requirements upon importation.
- Tariffs will be eliminated over a period of five years for imports from Singapore into the EU for Singapore originating products. Indeed, some EU import duties will be eliminated directly upon the FTA's entry into force, while others will be eliminated over a three or five year transition period. Some products will however be excluded from these tariff eliminations. Singapore will be bound to apply a zero duty tariff rate on imports of EU originating products.
- On the Singapore and EU side, exports made by the meat industry will be subject to a new regime of inspections based on modern audits of national systems, which may reduce costs and trade disruption.
- An advanced regulatory framework has been agreed upon for many service industries, such as telecommunications, courier, postal or financial services, among others, to ensure a level playing field for businesses active in each other's market.
- The FTA also includes several clauses on Intellectual Property Rights that go beyond the standards in the WTO Trade-related aspects of Intellectual Property (TRIPS) Agreement, e.g. the EU Geographical Indications (GI's) will be protected in Singapore with a new specific register.

Singapore is the EU's largest trade partner in the south-east Asian region. Moreover, the European Commission expects that this comprehensive FTA becomes the first of a number of trade deals with more south-east Asian economies. In this respect, it should be noted that the EU is negotiating similar agreements with other countries in the region (Thailand, Vietnam and Malaysia). With their dynamic growth, the south-east Asian economies are important markets for EU exporters.

For this FTA to enter into force, it still has to be formally approved and ratified by the European Council and the Parliament. Updates will be provided on any developments in this respect.

Next to the developments in south-east Asia, as of 1 October 2013 the **EU Association Agreement** with Central America became provisionally applicable for trade between **Costa Rica, El Salvador** and the EU. This only leaves Guatemala from the Central America region to finalise its procedures to allow a provisional application. For trade between the EU and Honduras, Nicaragua and Panama, the Agreement has already been in force since 1 August 2013.

As mentioned in the earlier **Customs Flash of 5 August 2013** (EU – Central America Agreement), this Agreement will largely eliminate customs duties for manufactured and fishery products, with complete liberalisation at the end of a transitional period, which is 10 years for most products and 15 years for a small number of other products. According to EU Commission forecasts, the industries that will most benefit from this Agreement are the automotive, chemical, pharmaceutical, machinery and equipment industries as well as paper products and the publishing industry.

### **What does it mean for you?**

As the FTA with Singapore is not yet enforced, it has no direct consequences for trade operations between the EU and Singapore. Nonetheless, as soon as the FTA enters into force, it will impact on-going and future transactions, which could result, inter alia, in duty reliefs.

Furthermore, goods originating in the EU may benefit from lower duty rates upon import into Costa Rica and El Salvador based on the FTA with these countries. Conversely, goods originating in these Central American countries may be eligible for improved EU market access.

EU importers should (already) assess whether their imports are eligible for the benefits from the new FTA with Singapore or may directly benefit from the FTA with Costa Rica and El Salvador. Do your imports benefit from duty free market access? Are these a part of a transitional, multiple step, reduction scheme? Or are these excluded from duty elimination?

Only goods originating in said countries are eligible for the new improved market access, so importers will also have to assess whether their imports meet the origin rules and criteria as laid down in the FTA's. In order to demonstrate that these rules and criteria are met and that the goods concerned qualify as originating, a proof of origin needs to be available from the concerning exporter. For trade with Central America the proof of export can be either a EUR.1 certificate issued by the relevant authorities or an origin declaration, whereas the FTA with Singapore foresees that only the origin declaration will be valid. The origin declaration may be provided by qualified approved exporters on an invoice or any other commercial document that describes the originating product in sufficient detail to enable its identification. Proper procedures to ensure the availability and correctness of said origin declarations may need to be implemented in this respect.

Deloitte can assist you with determining whether your trade can benefit from these new FTA's and, if so, can help you with ensuring that you actually obtain these benefits.

If you have any question regarding this newsletter, please don't hesitate to contact us.

## **Contact**

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