Deloitte.

Customs & Global Trade
Deloitte The Netherlands

Customs Flash
News you can count on

General edition, volume 8, number 16
4 October 2013

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

The European Commission published the draft text of the **Free Trade Agreement** (hereafter: 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 gives an insight on what to expect from this agreement. According to the European Commission, exports from the European Union to Singapore can possible rise to €1.4 billion over the next 10 years whereas Singapore's exports to the EU could rise by some €3.5 billion in the same period.

Some highlights of the FTA are:

- Existing technical trade barriers will be removed between both economies for different sectors. For instance, economic operators of the automotive or electronic sectors will 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. EU import duties will be eliminated directly upon entry into force of the FTA or which will be eliminated over a three or five year transition period. Some products will however be excluded from these tariff eliminations. Singapore has bound its 0% rates already applied on EU imports.

- The exporting meat industry from both sides will be subject to a new regime of inspections based on modern audits of national systems, which may reduce costs and disruption of trade.

- An advanced regulatory framework has been agreed on for many service sectors, such as telecommunications, courier and postal services or financial services among others to ensure a level playing field for businesses active on 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. For instance, 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. The European Commission expects that this comprehensive FTA becomes the first of a number of trade deals with more south-east Asian economies. Currently 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 has to be formally approved and ratified by the European Council and the Parliament. We will keep you updated on any developments in this respect.

Also 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 for a provisional application. The EU and Honduras, Nicaragua and Panama already apply the Agreement as of 1 August 2013.

As we mentioned in our 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 liberalization at the end of a transitional period, which is 10 years for the most products and 15 years for a small number of other products. According to EU Commission forecasts, the sectors, which will most benefit from this Agreement, are the automotive sector, chemical sector, pharmaceutical sector, machinery and equipment industry and paper products and publishing sector.

What does it mean for you?

As the FTA with Singapore is not yet enforced, it has no direct consequences for the trade operations between the EU and Singapore. However, as soon as the FTA enters into force it will impact the 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 importation 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, unfortunately, 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 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 / invoice, 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

Any questions concerning the items in this publication? Please contact your usual tax consultant at Deloitte or:

- Klaas Winters, **klwinters@deloitte.nl**, +31 (0)88 288 2125
- Johan Hollebeek, **jhollebeek@deloitte.nl**, +31 (0)88 288 1992

- Jos Sijbers, **jsijbers@deloitte.nl**, +31 (0)88 288 1952
- Fernand Rutten, **frutten@deloitte.com**, + 32 2 600 66 06
- Nick Moris, **nmoris@deloitte.com**, + 32 2 600 66 03
- Julien Pauwels, **jpauwels@deloitte.com**, +32 2 600 66 25
- Tom Verbrugge, **tverbrugge@deloitte.com**, + 32 2 600 66 20

Related links

Links

Deloitte Customs Publications

Follow the latest Tax news on

Home | **Security** | **Legal** | **Privacy**

Wilhelminakade 1
3072 AP Rotterdam
Netherlands

Berkenlaan 8b
1831 Diegem
Belgium

www.deloitte.nl

Deloitte RSS feeds
Unsubscribe