

TRADE IN GOODS

BENEFITS OF FREE TRADE AGREEMENTS



List of Abbreviations

Abbreviations	Explanation
AANZFTA	ASEAN-Australia-New Zealand Free Trade Area
ACFTA	ASEAN-China Free Trade Area
AFTA	ASEAN Free Trade Area
AHKFTA	ASEAN-Hong Kong, China Free Trade Area
AHTN	ASEAN Harmonised Tariff Nomenclature
AIFTA	ASEAN-India Free Trade Area
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKFTA	ASEAN-Korea Free Trade Area
ANZSCEP	New Zealand-Singapore Closer Economic Partnership
ASEAN	Association of Southeast Asian Nations
ASSIST	ASEAN Solutions for Investments, Services and Trade
ASW	ASEAN Single Window
ATIGA	ASEAN Trade in Goods Agreement
CC	Change in Chapter
CECA	India-Singapore Comprehensive Economic Cooperation Agreement
CODEX	Codex Alimentarius collection of food standards
CPTF	Customs Procedures and Trade Facilitation
CPTPP	Comprehensive and Progressive for Trans-Pacific Partnership
CSFTA	China-Singapore Free Trade Agreement
CTC	Change in tariff classification
CTH	Change in Tariff Heading
CTSH	Change in Tariff Sub-Heading
DO	Declaration of Origin
EBA	Everything but Arms
EFTA	European Free Trade Association
EIF	Entry into Force
EODES	Electronic Origin Data Exchange System
EPA	Economic Partnership Agreement
ESFTA	European Free Trade Association-Singapore Free Trade Agreement
EU	European Union
EUSFTA	European Union-Singapore Free Trade Agreement
EVFTA	European Union-Vietnam Free Trade Agreement
FOB	Free-on-Board
FTAs	Free Trade Agreements
GSFTA	Gulf Cooperation Council- Singapore Free Trade Agreement
HS Code	Harmonised Commodity Description and Coding System
IPPC	International Plant Protection Convention
JSEPA	Japan-Singapore Economic Partnership Agreement

KSFTA	Korea-Singapore Free Trade Agreement
LDC	Least Developed Countries
MRAs	Mutual Recognition Agreements
NTBs	Non-Tariff Barriers
NTMs	Non-tariff Measures
OIE	World Organisation for Animal Health
PCO	Preferential Certificate of Origin
PeSFTA	Peru-Singapore Free Trade Agreement
PSFTA	Panama-Singapore Free Trade Agreement
PSR	Product Specific Rules
QC	Qualifying Content
RCEP	Regional Comprehensive Economic Partnership
RVC	Regional Value Content
SAFTA	Singapore-Australia Free Trade Agreement
SCRFTA	Singapore-Costa Rica Free Trade Agreement
SJFTA	Singapore-Jordan Free Trade Agreement
SLSFTA	Sri Lanka-Singapore Free Trade Agreement
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TPSEP	Trans-Pacific Strategic Economic Partnership
TRQ	Tariff Rate Quotas
TRSFTA	Turkey-Singapore Free Trade Agreement
WCO	World Customs Organisation
WO	Wholly Obtained
WTO	World Trade Organisation
US	United States
UK	United Kingdom
UKSFTA	United Kingdom-Singapore Free Trade Agreement
UKVFTA	United Kingdom- Vietnam Free Trade Agreement
USSFTA	United States-Singapore Free Trade Agreement





Foreword

Over the last few years, governments and businesses have witnessed rapid movements in the global trade landscape. The advancement of technology, digitisation and evolving global policy has led to structural shifts, impacting both global supply and value chains. The COVID-19 pandemic has pushed many businesses to review their business

strategies. Impacted by lockdowns, disruptions in global supply chains and rising costs, businesses are looking at entering new markets and exploring the possibility of creating new products in different countries to lower cost.

What does this mean for Singapore-based businesses?

Strategically located in the heart of Asia, Singapore has leveraged its geographical location and benefitted from her Free Trade Agreements (FTAs) with 65 trading partners. In 2020, Singapore was the 14th largest exporter and 15th largest importer of goods in the world, accounting for almost 4% of the world's total merchandise trade (World Trade Statistical Review 2021, 2021).

It is essential for Singapore-based businesses to find ways to leverage these FTAs and compete not just locally, but globally as well. These FTAs give businesses the opportunity to increase their competitive advantage, diversify and expand market reach, enhance efficiency, raise productivity levels and where possible, foster innovation to stay ahead of their competitors, both locally and abroad. In some ways, it also safeguards Singapore-based businesses overseas, providing them with the platform to receive the same treatment as the locals in the overseas market.

From a macro perspective, this has fostered economic growth, increased foreign investments, allowed Singapore-based businesses to grow overseas and, strengthened Singapore's talent base.

As the push towards globalisation intensifies, there are many opportunities for businesses and even more so with the rise in digital economy that transcends physical boundaries. Businesses are encouraged to take the leap forward and move beyond traditional boundaries. Leveraging the numerous FTAs may be the stepping stone towards harnessing new opportunities and greater growth.

The process of finding the right FTA that fits your specific business may be challenging and we hope this guidebook will be able to help you achieve some benefits from using FTAs.

It begins by taking the first step.

Overview

The establishment of free and open markets is a key factor for development. Despite the challenges faced in the global markets, there are also increasing opportunities to participate in global growth, strengthen connectivity, forge new connections and economic linkages.

Globally, FTAs are on the rise. According to the World Trade Organisation (WTO), there are 350 FTAs in force as of 15 October 2021. Singapore alone has an extensive network of over 20 bilateral and regional FTAs with more than 65 trading partners, allowing Singapore-based businesses easier and greater access to a multitude of markets globally. This includes some of the largest and most profitable markets in the world, such as the Association of Southeast Asian Nations (ASEAN), the United States (US), the European Union (EU), Japan, the United Kingdom (UK) and China.

These agreements prepare for greater liberalisation of products traded, delivery or supply of services or investments by reducing and eliminating barriers in terms of import duties and non-tariff measures. This includes import licensing requirements, reducing compliance to multiple product standards, requirements to meet certain equity conditions and other unnecessary regulatory barriers.

As it can be quite challenging for those looking to expand into these new markets, we have developed this step-by-step guide to assist Singapore-based businesses who are interested in exporting their products overseas and maximise on the benefits brought on by Singapore's FTAs.



Liberalisation **eliminates or reduces barriers to international trade.**

Open market makes imports and exports of products, delivery or supply of services or investments **easier and simpler.**



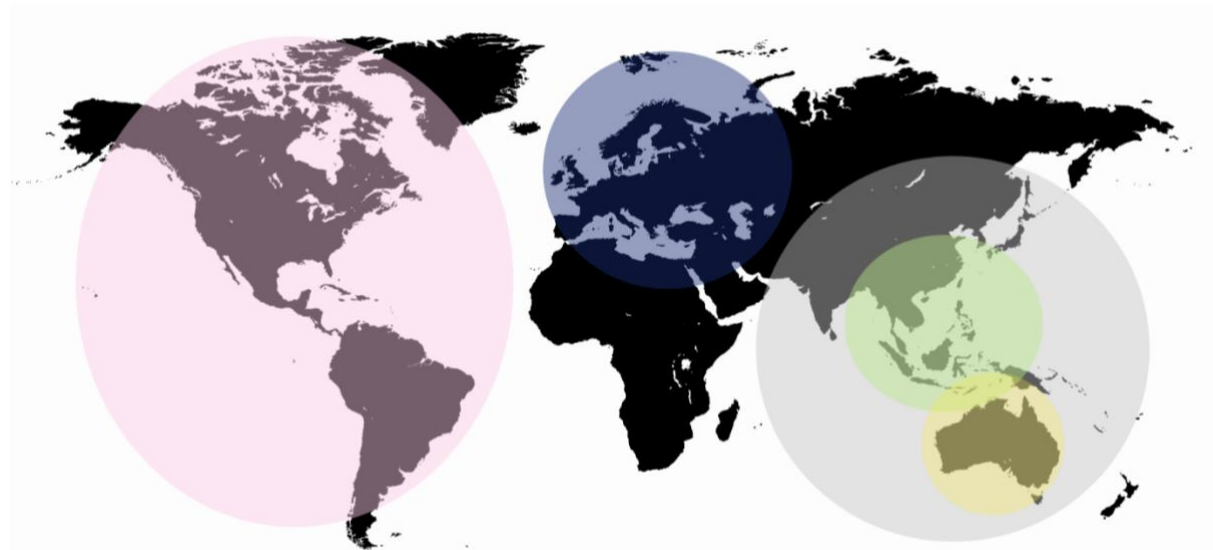
This guide provides a comprehensive coverage on trade in goods, with a focus on the following areas:

- 1 Explanation on selected FTAs that Singapore has with trading partners;
- 2 Highlights examples of FTAs which has its own set of peculiarities, in terms of qualifying for preferential tariffs which include:
 - o Different Rules of Origin and cumulation processes;
 - o Different ways to present proof of claims for preferential tariffs;
 - o Special preferences introduced in certain FTAs for specific products;
 - o Sanitary and phytosanitary measures and sectoral annexes; and
 - o Customs facilitation.
- 3 Enhances understanding via a wide range of examples on Rules of Origin and cumulation processes.

If you are an exporter based in Singapore, you can also make use of these FTAs to enter the regional and international markets by selecting the FTA that not only best suits your needs but gives you the most advantage.



Overview of Singapore FTAs



Agreements

 ASEAN	ASEAN Free Trade Area (AFTA)  Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Vietnam (9)  Duty free for almost 99% of the products	 UNITED KINGDOM	United Kingdom-Singapore FTA (UKSFTA)  United Kingdom  Duty free access to over 95% of the products
 ASIA	<ul style="list-style-type: none"> • ASEAN-Australia-New Zealand FTA (AANZFTA) • ASEAN-China FTA (ACFTA) • ASEAN-India FTA (AIFTA) • ASEAN-Japan Comprehensive Economic Partnership (AJCEP) • ASEAN-Korea FTA (AKFTA) • ASEAN-Hong Kong FTA (AHKFTA) • Singapore-Australia FTA (SAFTA) • India-Singapore Comprehensive Economic Cooperation Agreement (CECA) • Japan-Singapore Economic Partnership Agreement (JSEPA) • Republic of Korea-Singapore FTA (KSFTA) • Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP) • China-Singapore FTA (CSFTA) • Sri Lanka-Singapore FTA (SLSFTA) • Regional Comprehensive Economic Partnership (RCEP)*  China, India, Japan, Korea, Hong Kong SAR, Sri Lanka, Australia and New Zealand (15)  Duty free for over 90% of products and phased out over longer period of time Pending implementation  Duty free varies from over 80% to 100% of the products	 EUROPE	European Union-Singapore FTA (EUSFTA)  European Union- Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden (27)  Duty free access to over 95% of the products European Free Trade Association-Singapore FTA (ESFTA)  Iceland, Liechtenstein, Norway and Switzerland (4)  Duty free access to all industrial, fish and marine products
 ASIA	Trans-Pacific Strategic Economic Partnership (TPSEP)  Brunei Darussalam, Chile, New Zealand, Singapore (4)  Elimination of all tariffs for Singapore's exports to TPSEP markets	 AMERICAS	<ul style="list-style-type: none"> • US-Singapore FTA (USSFTA) • Panama-Singapore FTA (PSFTA) • Singapore-Costa Rica FTA (SCRFTA) • Peru-Singapore FTA (PeSFTA)  Panama, Peru, Costa Rica and United States (4)  Duty free access to 98% to Panama, 90% to Peru and complete duty free access to USA  SCRFTA eliminates tariffs for more than 95% of Singapore's exports to Costa Rica
 WEST ASIA	Gulf Cooperation Council-Singapore FTA (GSFTA)  Duty free for almost 99% of the products Turkey-Singapore FTA (TRSFTA)  Duty free for all industrial products to Turkey Singapore-Jordan FTA (SJFTA)  Close to 100% tariff elimination for Singapore's exports to Jordan  Bahrain, Jordan, Kuwait, Oman, Qatar, Turkey, Saudi Arabia and United Arab States (8)	 MULTILATERAL	Comprehensive and Progressive Economic Partnership (CPTPP) agreement  Australia, Canada, Japan, Mexico, New Zealand, Peru, Singapore and Vietnam* As of November 2021, Brunei and Malaysia have yet to ratify the agreement  Duty free access for most products upon entry into force. For some countries, duties on certain goods are phased out over a longer period of time

*CPTPP has not entered into force for Brunei, Chile and Malaysia as these countries have yet to ratify the CPTPP.





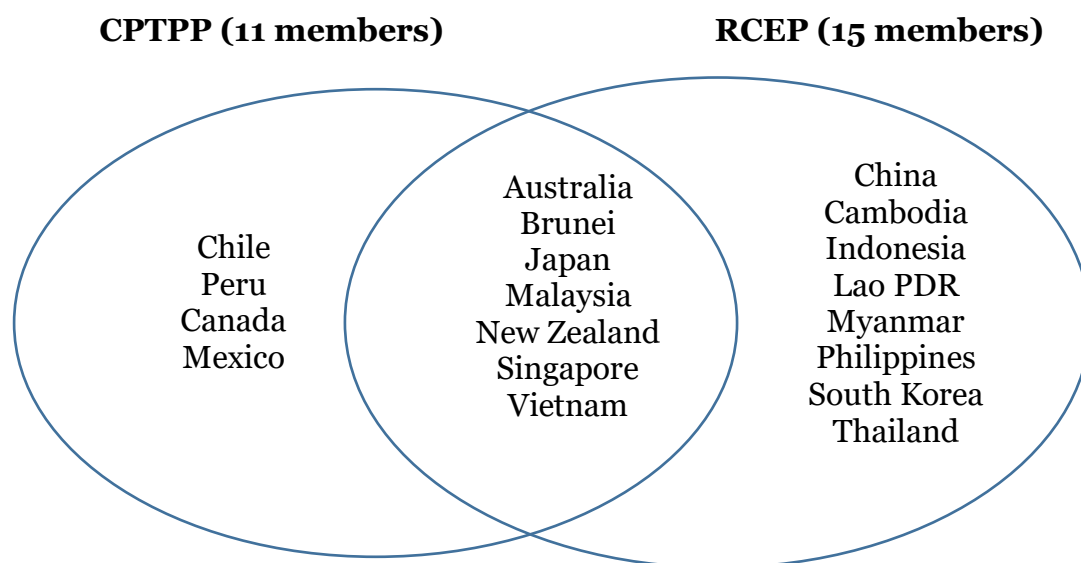
Get To Know the Mega FTAs

CPTPP and the RCEP

Singapore is one of the founding members of the 11-member CPTPP that entered into force in 2018. Singapore is also part of the biggest FTA, the Regional Comprehensive Economic Partnership (RCEP) that entered into force on 1 January 2022.

CPTPP is a comprehensive regional FTA or also often referred to as a multilateral agreement of countries from the Asia Pacific region that eliminates over an estimated 95% of tariffs for trade of goods and other non-tariff barriers on a wide a range of goods and services trade and investment. The UK is negotiating to join this pact.

The RCEP is a 15-member FTA that binds together five (5) strong economies of China, Japan, Korea, Australia, and New Zealand with the 10 ASEAN economies, covering almost 50% of the global population.



CPTPP and RCEP Compared, % of World Total, 2019

Indicators	CPTPP	RCEP
Gross National Income (% in total)	12.7%	29.6%
Population	6.6%	29.5%
Trade	16.9%	27.3%
FDI, Net Inflow	21.3%	25.9%

Source: Compilation based on data from The World Development Indicator, [the World Bank](#)

Chapter 1: Introduction

An FTA is a legally binding international treaty between two (2) or more customs territories that reduces or eliminates certain barriers to trade in goods, services, and investments. This means, easy access to other countries to conduct business activities.

For Singapore-based businesses, this makes it more efficient and profitable as they can now trade with their counterparts in FTA countries.

Nevertheless, like in any trade relationship, each country may likely want to protect their goods and services, resulting in barriers to trade. A barrier to trade is anything that makes it difficult or expensive to trade goods across borders.

Some of the common barriers often faced when trading goods:

TARIFF BARRIERS

Import duties or taxes on imported goods. Tariffs increase the price of imported goods, resulting in less competitive imports.

NON-TARIFF BARRIERS

Laws, rules and regulations, standards as well as testing and certification procedures that makes it more cumbersome for products to reach target market.

TARIFF RATE QUOTAS (TRQs)

Permissible under the WTO, TRQ generally applies to only agricultural products. TRQ is a limitation placed on the quantity of imports at a preferential tariff rate or reduced rate. Once the tariff-rate quota quantity is met, any subsequent imports will be taxed at a higher rate.

PROHIBITION

A complete ban on imports from a certain country or a certain product.

Therefore, for businesses looking to export products abroad, it is important to be aware of the varying benefits from different FTAs.

Understanding Key Concepts

Free Trade Agreements

FTAs essentially make doing business in another country easier. However, this depends on which country and which type of FTA that is being used.

When trying to select the best FTA, it is important to first understand the different types of FTAs and their specifications.

Currently, there are broadly two (2) types of FTAs that Singapore is part of – regional or bilateral FTAs.

Bilateral or regional FTAs offer different opportunities to businesses. Each FTA has its own set of rules and in some cases, these rules may be similar while in other cases, differ substantially. Some markets have multiple pathways as shown in the table below. Hence, companies will need to identify the pathway that best works for them, for their chosen export market.

Bilateral FTAs	Regional FTAs
<p>Agreements between two (2) countries.</p> <p>Example: India-Singapore Comprehensive Economic Cooperation Agreement (CECA) or Singapore Australia FTA (SAFTA)</p>	<p>Agreements between two (2) or more countries from the same region.</p> <p>Example: AFTA or Regional Comprehensive Economic Partnership (RCEP) Agreement or Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)</p>

Here are a few examples of FTAs with the same market destination. Businesses should be aware of these choices and choose what suits them best.



Table 1: Examples of Singapore FTAs by country

Country	Type of FTA	FTAs
Australia	Bilateral	<ul style="list-style-type: none"> • Singapore-Australia FTA (SAFTA)
	Regional	<ul style="list-style-type: none"> • ASEAN-Australia-New Zealand FTA (AANZFTA) • Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) • RCEP
China	Bilateral	<ul style="list-style-type: none"> • China-Singapore FTA (CSFTA)
	Regional	<ul style="list-style-type: none"> • ASEAN-China FTA (ACFTA) • RCEP
India	Bilateral	<ul style="list-style-type: none"> • India Singapore Comprehensive Economic Cooperation Agreement (CECA)
	Regional	<ul style="list-style-type: none"> • ASEAN-India FTA (AIFTA)
Japan	Bilateral	<ul style="list-style-type: none"> • Japan-Singapore Economic Partnership Agreement (JSEPA)
	Regional	<ul style="list-style-type: none"> • ASEAN-Japan Comprehensive Economic Partnership (AJCEP) • CPTPP • RCEP
Korea	Bilateral	<ul style="list-style-type: none"> • Korea-Singapore FTA (KSFTA)
	Regional	<ul style="list-style-type: none"> • ASEAN-Korea FTA (AKFTA) • RCEP
New Zealand	Bilateral	<ul style="list-style-type: none"> • New Zealand-Singapore Closer Economic Partnership (ANZSCEP)
	Regional	<ul style="list-style-type: none"> • AANZFTA • Trans-Pacific Strategic Economic Partnership (TPSEP) • CPTPP • RCEP
Peru	Bilateral	<ul style="list-style-type: none"> • Peru-Singapore FTA (PeSFTA)
	Regional	<ul style="list-style-type: none"> • CPTPP

Table 2: ASEAN FTAs

Country	FTA
Consists of ten (10) ASEAN countries, namely Brunei, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam	<ul style="list-style-type: none"> • ASEAN Free Trade Area (AFTA) • AANZFTA • ACFTA • AIFTA • AJCEP • AKFTA • ASEAN-Hong Kong, China FTA (AHKFTA) • RCEP
Brunei	<ul style="list-style-type: none"> • AFTA • AANZFTA • ACFTA • AIFTA • AJCEP • AKFTA • AHKFTA • TPSEP • CPTPP • RCEP
Malaysia and Vietnam	<ul style="list-style-type: none"> • AFTA • AANZFTA • ACFTA • AIFTA • AJCEP • AKFTA • AHKFTA • CPTPP¹ • RCEP

Preferential Tariffs

Preferential tariffs are reduced or eliminated custom duties imposed on products traded between FTA partners, either exported from Singapore or imported from other FTA partners.

The main criterion when identifying these tariffs is to ensure the product is “made in Singapore/in the region”, which means it complies with the Rules of Origin specified in the respective FTA. Businesses will have to prove that the product originates from Singapore in terms of it having been grown in Singapore or has undergone sufficient processing within Singapore to qualify as originating under the chosen FTAs. This will be explained further in this Guide.

¹ As of print (31 March 2022), Malaysia has yet to ratify CPTPP.



Benefits of FTAs on Singapore-based Businesses

To strengthen Singapore's global competitiveness for Singapore-based businesses exporting their goods, FTAs offer several benefits.

Key Benefits of FTAs

Increased Tariff Savings and Enhanced Market Access

Reduced Technical and Non-Tariff Barriers

Enhanced Transparency and Simplified Procedures

Heightened Certainty and Security

Increased Tariff Savings and Enhanced Market Access



Businesses that make use of FTAs may obtain preferential tariffs when engaging in trade with its counterpart in the FTA countries.

With preferential tariffs in place, this enhances the buyer's savings due to the waiver/reduction in customs duties, as compared to what the buyer would have to usually pay. With the savings gained, this in turn enables them to price their products in a more competitive manner in the destination market as compared to products from non-FTA partner countries.

In short, it gives the business a competitive price advantage, which impacts their cost and profit margins positively and thereby, allowing a business to potentially expand its market share.

Example

With the existing AANZFTA, tariffs have been eliminated for 90% of goods traded between ASEAN, Australia, and New Zealand. Through AANZFTA, Singapore-based businesses can gain from zero import duty to ASEAN and Australia.

Similarly, as Singapore is part of the ASEAN Free Trade Area (AFTA), businesses in Singapore can export products to any of the ASEAN member countries with zero import duty, except for a limited number of products where duty still prevails. This allows businesses to reach a greater number of consumers as the AFTA covers approximately a population of 662 million people.



Reduced or Simplified Technical and Non-Tariff Barriers



For businesses, it is all about managing costs effectively and efficiently. Hence, FTAs can contribute positively to their growth as it reduces the impact of non-tariff barriers.

This is done for instance via provisions for mutual recognition of test results which prevents duplicative testing or provides greater transparency. With this, the business becomes more aware of the regulations that their products would need to adhere to and more importantly, leads to cost savings as it avoids having their good/product stuck at the port and not delivered to their customer due the failure in meeting these requirements.

In short, FTAs helps in lowering the cost of doing business, saves time for business to export and strengthens their competitive edge over other non-FTA suppliers.

Heightened Certainty Arising from Enhanced Transparency Provisions



Transparency and notification provisions in FTAs provide greater certainty for businesses to export their products to the destination country. In addition, as FTAs are legally binding, failure to meet these commitments can result in a range of penalties that the FTA partner could take up with the defaulting country.

For example, if an FTA partner fails to abide by the tariff reduction commitment or seeks to re-introduce import duties, they will have to provide some form of compensation to the other parties. Governments though can only effect this if they are aware that these benefits have been curtailed.

It is important for businesses to inform their respective governments when they face these issues.



Simplified Procedures



Certain regulatory procedures within FTAs (for example, customs procedures) have been simplified with the availability of electronic transmission of documents, where possible. Within AFTA, Singapore businesses have the choice to submit their application for preferential tariff (i.e. Form D) through the ASEAN Single Window (ASW), as they are no longer required to submit only hard copies to customs authorities and importers.

FTAs support transparent customs procedures and processes to ensure goods/products are cleared faster and more efficiently.

Chapter 2: Free Trade Agreements & Singapore

2.1 Tariff Elimination

Overview of Tariff Reduction and Elimination

Tariff reduction and elimination of import tariffs (which are also commonly referred to as import duties) are one of the most significant aspects of FTAs. The aspiration is to remove import duties on all products traded between FTA partners.

Most of the ASEAN FTAs are based on this general rule. ASEAN FTAs with China, India, Hong Kong, Japan, Korea, Australia and New Zealand are based on a fixed modality approach where import duty on a minimum of 90% of the tariff lines are subject to full elimination. The remaining goods for which import duty has not been eliminated will be subject to import duty reduction or excluded.

Nevertheless, there are also exceptions where tariff elimination stood at less than 90% of the tariff lines. For example, CECA, Sri Lanka Singapore FTA (SLSFTA) and AIFTA, the level of liberalisation is around 80% of the tariff lines.

Some developed countries do opt to eliminate import duty on 100% of the tariff lines. Countries like USA, EU, Australia, and New Zealand are some examples of countries which demand for full elimination of tariffs. CPTPP parties also need to adhere to the agreed modality of creating new liberal market access for all products. For Japan this translates into creating special market access via Tariff Rate Quotes (TRQs) for their sensitive agriculture products.

Meanwhile, others may opt for 100% elimination of duty on all industrial products but may maintain duty on unprocessed or processed agriculture products such as Turkey-Singapore FTA (TRSFTA) or European Free Trade Association (EFTA)-Singapore FTA (ESFTA).

Currently all goods imported into Singapore except for six tariff lines on beers and “samsu have zero-import duty as Singapore is a free port and open economy. This is not to be confused by the fact that Singapore still maintains excise duties on a range of products such as tobacco, wines and spirits, moto-vehicles and more. The excise duties are not covered by the FTA commitment to reduce or eliminate import duties.

Generally, FTAs have provisions in which Customs duties were eliminated on a high percentage of goods upon entry into force of the agreement or implementation of the FTAs. The remaining tariffs are progressively reduced over an agreed period of time.

For the other FTAs, tariff elimination for the covered products has been staged, resulting in Progressive Tariff Reduction.



For most FTAs, the general principle adopted is to ensure that at least the **import duty is substantially eliminated on all products**.

As a rule of thumb, this is taken to be **more than 90% of the tariff lines**



Example

Under the [CPTPP](#), the timeline for tariff reduction is 15 years from the date of entry to when it was enforced in 2018.

Table 3: Tariff Reduction under CPTPP

Products	Mexico HS6404.10.06 (Footwear uppers) (%)	Vietnam HS8711.90.91 (Electrically powered motorcycles) (%)	Malaysia HS8402.20.000 (Superheated water boilers) (%)	Chile HS4012.90.10 (Tyre flaps) (%)
Base Rate	30.0	79.0	10.0	6.0
Year 1	27.6	69.1	8.3	4.3
Year 2	25.3	59.2	6.0	3.0
Year 3	23.0	49.3	5.0	1.5
Year 4	20.2	39.5	3.3	0
Year 5	18.4	29.6	1.6	0
Year 6	16.1	19.7	0	0
Year 7	13.8	9.8	0	0
Year 8	11.5	0	0	0
Year 9	9.2	0	0	0
Year 10	6.9	0	0	0
Year 11	4.6	0	0	0
Year 12	2.3	0	0	0
Year 13	0	0	0	0
Year 14	0	0	0	0
Year 15	0	0	0	0
Year 16	0	0	0	0

Source: Schedules of Tariff liberalisation, CPTPP

If you are exporting footwear to Mexico under CPTPP, the applicable tariff in 2022 will be 18.4%, that is the rate at Year 5 from the date of entry into force of the agreement in 2018.

For businesses to verify the applied preferential rate for their products, this can be done by checking against the tariff schedules of the individual countries or the tariff schedules of the country they intend to export.²

² Irrespective of when a member country ratifies the CPTPP, due to the catchup provisions in the agreement, the CPTPP would commence from year 1 but 60 days after a member notifies the Depository of its completion of its applicable legal process. For example, if a member country notifies the Depository that it has completed applicable legal process on 5 April 2022, the CPTPP will enter into force for that member on 3 June 2022.

Example

Application of more than one (1) FTA for business to choose

If a business is trying to export from Singapore to South Korea, below are some of the differences in import duty under KSFTA and AKFTA

Table 4: Differences in Import Duty

HS Code	Description	MFN ³ (%)	KSFTA (%)	AKFTA (\$%)	Choice of FTA Based on Import Duty
0203220000	Hams, shoulders and cuts thereof, with bone in	25.0	25.0	20.0	AKFTA (5% duty under preference AKFTA)
2903210000	Vinyl chloride (chloroethylene)	5.5	0	5.0	KSFTA
6109903010	T-shirts	13.0	0	5.0	KSFTA



When more than one FTA is available to export products to a market, exporters should take into consideration these important factors:

- Applicable import duty, where no duty (nil or 0%) or duty is being gradually reduced;
- Rules of Origin and the type of cumulation allowed for purposes of determining originating status of products;
- Special arrangements that Singapore may have been negotiated for some specific products in terms of Rules of Origin or other flexible export conditions in bilateral FTAs for the benefit of Singapore exporters; and
- Documentation requirements such as Self-Certification scheme or Preferential Certificate of Origin (PCO) that must be endorsed by Singapore Customs.

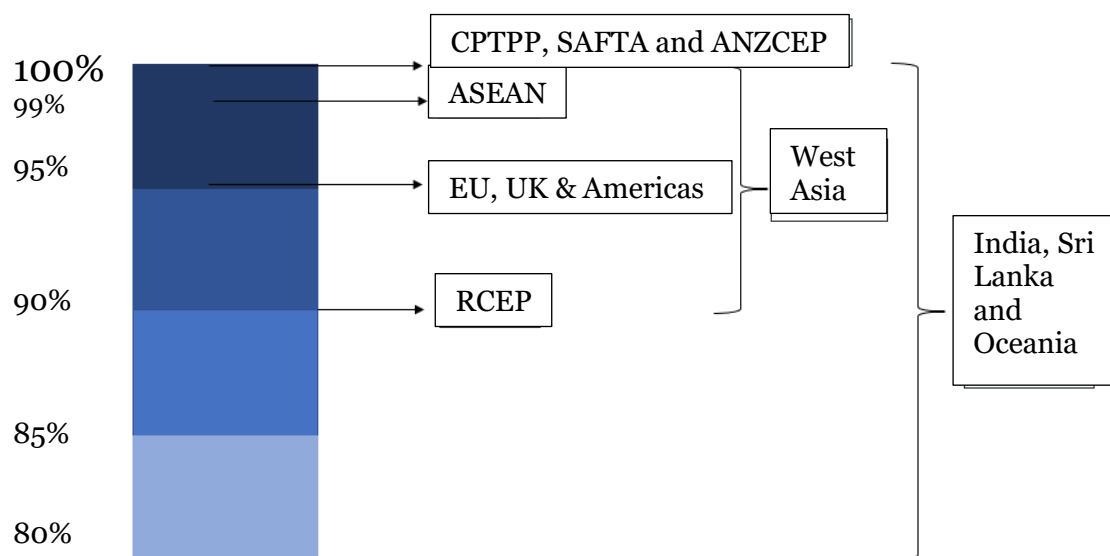
³ Most Favoured Nation (MFN): Tariff rate applied all imports from non-FTA countries without discrimination



Businesses can scan this QR code to access the tariff finder and find out more about tariff and non-tariff measures.

Table 5: A Summary of the Level of Liberalisation of Singapore's FTAs

FTA	Liberalisation level (%)
AFTA	99
ASEAN + 1 FTAs and Bilateral FTAs: Australia, China, Hong Kong, India, Japan, Korea and New Zealand	80-100
Bahrain, Jordan, Kuwait, Oman, Qatar, Turkey, Saudi Arabia and United Arab States, Jordan	90-100
EU and UK	95
EFTA and Turkey*	100* (Industrial products)
Costa Rica, Panama, Peru and US	95
CPTPP	100%
RCEP	90



Note: **EFTA & Turkey***: 100% liberalisation for industrial products only

Diagram 1: Level of Liberalisation for Certain Countries

2.2 HS Code, AHTN Code and Rules of Origin

Harmonised Commodity Description and Coding System (HS Code)

The HS Code is an international standardised system developed by the World Customs Organisation (WCO). This is to classify goods or products traded based on the raw materials used in production and related production processes.

Each good or product is classified with a set of six (6) numbers at international level. In other words, these six (6) digits are common for all countries. For example, HS270900 is for petroleum oils and oils, obtained from bituminous minerals.

Generally, at the national level, individual countries will further subdivide to eight (8) digits or more. In some cases, the additional two (2) digits may differ from country to country as these digits are decided by the individual countries even if the product is the same.

The HS Code is reviewed and updated every five (5) years.

ASEAN Harmonised Tariff Nomenclature (AHTN)

AHTN is an eight (8)-digit tariff classification system used by all ASEAN member countries to facilitate intra-ASEAN trade. The seventh (7th) and eighth (8th) digits are referred to as “ASEAN subheadings”. Whilst AHTN has common classification up to eight digits, AHTN also has allowed ASEAN Member States to have exceptions for additional country codes classification that have nine digits and beyond. Thus, businesses would benefit from advance rulings with clarity for these products which go beyond the AHTN eight digits common classification codes.

Exporters are encouraged to be well-informed on the various AHTN codes as some ASEAN countries do use up to 10-digits to provide for further breakdown of the description of the goods or products traded. Malaysia is working towards aligning the AHTN to eight (8) digits while all other ASEAN countries have aligned with eight-digit AHTN.

Usage of HS and AHTN Codes

Import duties are based on both the HS code and AHTN Code. It is important for exporters to identify the right code for the goods or products that will be exported as this determines the applicable import duty.

The AHTN Code undergoes continuous review, aligned with the reviews of the HS Code by the WCO, which usually takes place every five (5) years. Amendments are made in line with the review and changes made to the HS Code.



Example

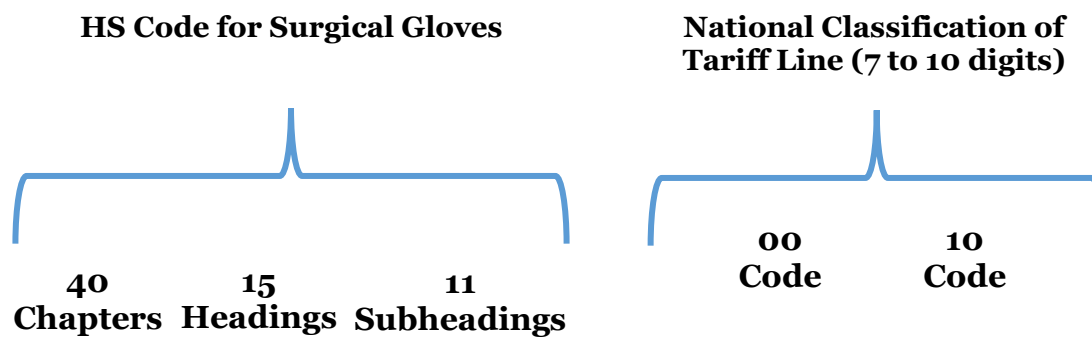
Table 6: The general structure of HS and AHTN Code comprises 21 sections, covering 97 chapters

Section	Products	Chapters
5	Mineral Products	<ul style="list-style-type: none"> Chapter 25: Salts, sulphur, earths and stone; plastering materials, lime and cement. Chapter 26: Ores, slag and ashes. Chapter 27: Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.

Table 7: Examples of HS and AHTN Codes at 8 digits and 10 digits

Product	HS Code	AHTN Code (for Malaysia)	Description
	4015 11 00	4015 11 00 10	Surgical gloves
	8202 10 20	8202 10 20 00	Wood working hand saws
	9001 40 00	9001 40 00 00	Spectacle lenses of glass

How to use the [HS Code](#)/AHTN Code

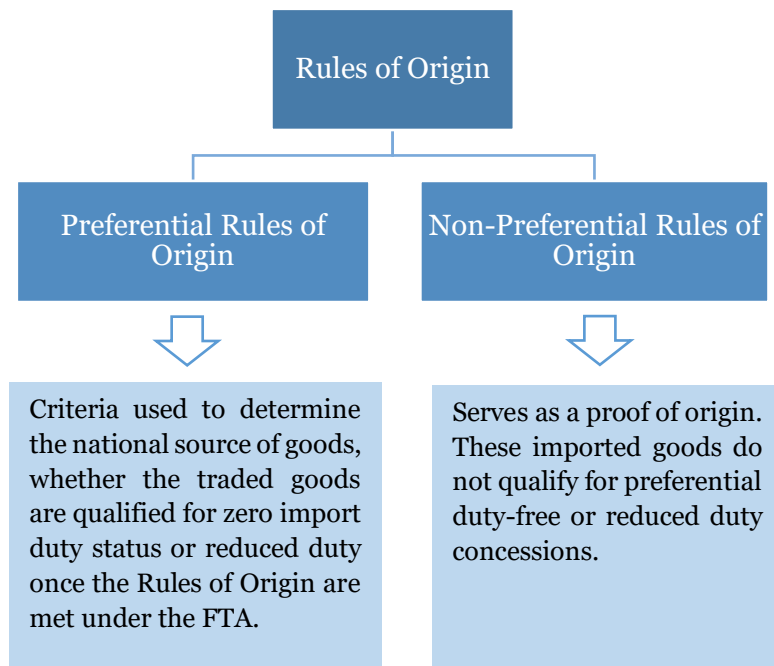


Businesses can scan the QR Code to find out more about their product/s' HS code/s.

Rules of Origin

Rules of Origin is a set of rules to determine the originating country in which the good has been produced or manufactured. Used for international trade purposes, the Rules of Origin ascertain the origin of products eligible for the preferential tariff concession⁴.

Rules of Origin can be divided into two different categories - preferential and non-preferential Rules of Origin.



Preferential Rules of Origin in FTAs

Rules of Origin is an important component in any FTA as it is used to determine the country of origin for the goods. This is a requirement to ensure that only goods originating from within the FTA partners are eligible for zero import duty or preferential duty.

Rules of Origin prevents the following:

- Goods imported from non-FTAs parties to an FTA country from enjoying the benefits of zero import duty; or
- Reduced duty without undergoing Substantial Transformation/Change in Tariff Classification within FTA member countries to confer originating status; or
- Only undergone minimal processing for exports to another FTA partner country.

⁴ General FTA.

<https://fta.miti.gov.my/index.php/pages/view/12#:~:text=What%20are%20Preferential%20Tariffs%3F,as%20GST%20or%20excise%20duties.>

Preferential Rules of Origin can be classified into two main categories:

- Wholly Obtained (WO)/Produced Exclusively: Goods produced using raw materials from entirely in a country; or goods produced using raw materials from all one or more FTA countries and
- Goods Not Wholly Obtained: Goods that need to undergo further value-add and substantial transformation, or a combination of value-add, substantial transformation and process rule that confer originating status.

Common Forms of Rules of Origin

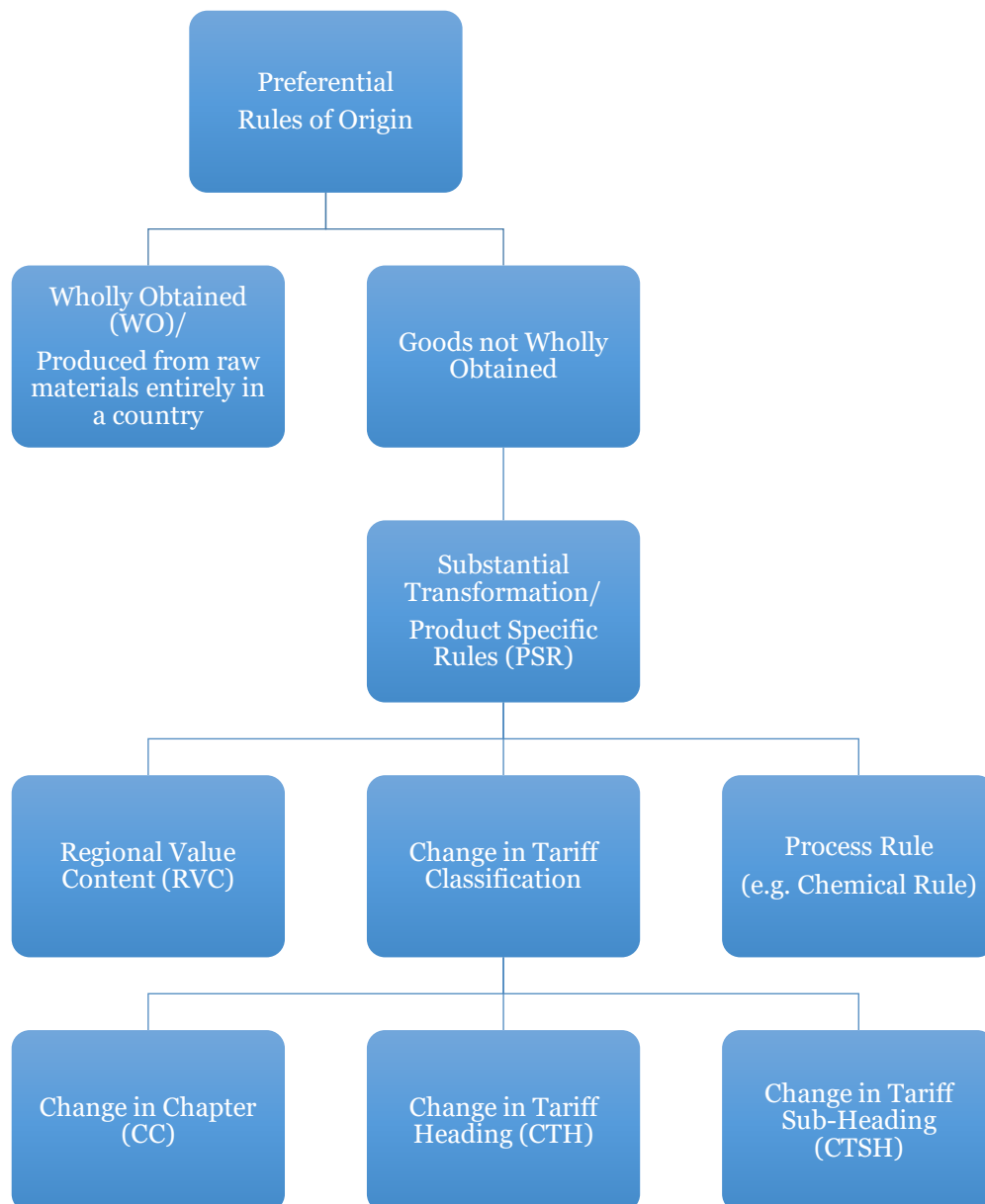


Table 8: Explanation on the various types of Rules of Origin (Based on the Diagram 2 to 9)

Common Forms of Rules of Origin	Explanation
Wholly Obtained/Produced from raw materials entirely in a country	<ul style="list-style-type: none"> • WO goods are goods whose production is completed in one country without any inputs from another country. For example, extraction of minerals, crude petroleum, timber, crude palm oil or animals born and raised in the country. • Some WO goods are produced entirely with materials originating from the country. • As the materials used in the production is from the exporting country, the product is deemed to be entirely originating. For example, plywood of refined palm oil or other processed food (example, fruits or vegetables) where raw materials are completely from one country.
Goods Not Wholly Obtained	<ul style="list-style-type: none"> • These goods contain a certain value of materials whose country of origin is not one of the parties to an FTA or from undetermined sources or origins. There are several ways in which these products could be processed to confer originating status.
(a) RVC	<ul style="list-style-type: none"> • This value-add criteria determines the status of a product based on a certain percentage of originating content. <p>For example, the goods produced must have the following specifications:</p> <ol style="list-style-type: none"> Not less than 35% or 40% RVC, if it is a regional FTA; or 35% or 40% Qualifying Content (QC) if it is a bilateral FTA. There are FTAs where the RVC or QC is much higher. <ul style="list-style-type: none"> • The method of calculating the RVC can be done through the build-up method, or the build-down method. There are also other methods of calculating QC and RVC. These methods are normally stated in the FTA agreement.
(b) Substantial Transformation/Change in Tariff Classification (CTC)	<ul style="list-style-type: none"> • This method of determining the originating status looks at the degree of processing of the non-originating materials have undergone in the final export country. • These products will be subject to Product Specific Rules (PSR). The PSR varies based on degree of processing which is determined using the following HS Codes: <ul style="list-style-type: none"> ○ Change in Chapter (CC); or ○ Change in Tariff Heading (CTH); or ○ Change in Tariff Sub-Heading (CTSH) or ⊖ Chemical Process.

Common Forms of Rules of Origin	Explanation
(i) CC	<ul style="list-style-type: none"> All non-originating materials used in the production of goods have undergone a change in tariff classification at the two (2)-digit level of HS Code.
(ii) CTH	<ul style="list-style-type: none"> All non-originating materials used in the production of goods have undergone a change in tariff classification at the four (4)-digit level of HS Code.
(iii) CTSH	<ul style="list-style-type: none"> All non-originating materials used in the production of goods have undergone a change in tariff classification at the six (6)-digit level of HS Code.
(iv) Chemical Process	<ul style="list-style-type: none"> The goods will only be qualified as originating if it is produced through a specific chemical process in the final country of exports. A “chemical reaction” is a process (including a biochemical process) which results in a molecule with a new structure by breaking intramolecular bonds and by forming new intramolecular bonds, or by altering the spatial arrangement of atoms in a molecule. The following are not chemical reactions: <ul style="list-style-type: none"> (a) dissolving in water or other solvents; (b) the elimination of solvents, including solvent water; or (c) the addition or elimination of water of crystallisation. This definition comprises all types of polymerisation reactions. For some products, there are other specific processes which may apply. For example, under CPTPP, for textiles, there are yarn forward and fabric forward rules.



Table 9: Differences Found in Rules of Origin: A Comparison Between KSFTA and AKFTA

HS Code	KSFTA	AKFTA
0203220000	A change to heading 02.01 through 02.10 from any other chapter, except from Chapter 1.	Wholly Obtained or produced in the territory of the exporting party.
2903210000	A change to subheading 2903.21 from any other heading except from 29.01 or a change to subheading 2903.21 from any other heading, provided it has a regional value content of not less than 50%.	40% RVC or CTH.
6109903010	A change to heading 61.01 through 61.14 from any other chapter provided that the good/product is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or both of the parties.	Change to heading 6109 from any other chapter, provided that the good is both cut and sewn in the territory of any of the Party or a RVC of 40% of the Free-on-Board (FOB) value of the good.

Based on the table above, the exporter has to decide if its production process and sources of inputs allow the exporter to meet the Rules of Origin for both FTAs easily.



WHOLLY OBTAINED OR PRODUCED

- **AKFTA** - The following shall be considered to be wholly obtained or produced in the territory of Party:
- Products of sea-fishing and other marine products taken from the high seas by vessels registered with the party and entitled to fly its flag.



Diagram 2: Example of Wholly Obtained or Produced

Goods not Wholly Obtained

Not all products can be classified as Wholly Obtained. In the manufacturing sector, inputs and raw materials that are imported from third-party countries, which are not parties to the FTA, are categorised as non-originating materials. These goods will need to undergo sufficient processing in an FTA party to be conferred originating status.

Goods are treated as originating if they meet the requirements of the Rules of Origin. Common forms of Rules of Origin can be found below.

RVC Calculation

a) Direct Method or Build-Up Method

$$\text{RVC \%} = \frac{\text{Originating materials cost} + \text{Direct labour cost} + \text{Direct Overhead Cost} + \text{Other costs} + \text{Profits}}{\text{FOB Price}} \times 100$$

PSR : REGIONAL VALUE CONTENT (RVC)

- AFTA: PSR for HS 2102.30 are "A regional value content of not less than 40 percent; or A change to subheading 2102.30 from any other chapter".
- Direct method: ASEAN material cost + Direct labour cost + Overhead cost + Other Cost + Profit.
- Value of Originating material: \$400.00
- FOB price : \$500.00

$$\text{RVC} = \frac{\$400.00}{\$500.00} = 80\%$$



Diagram 3: Example of RVC using Direct Method or Build-Up Method

b) Indirect Method or Build-down Method

$$\text{RVC \%} = \frac{\text{FOB Price} - \text{Value of non-Originating materials}}{\text{FOB Price}} \times 100$$

PSR : REGIONAL VALUE CONTENT (RVC)

- ✓ **ATIGA:** PSR for HS 2201.10 are "A regional value content of not less than 40 percent; or A change to subheading HS 2110.10 from any other chapter"
- ✓ **Indirect Method:** FOB price – Value of Non-Originating Materials.
- ✓ Value of non-originating raw materials from South Korea: \$3.50
- ✓ FOB price : \$5.00

$$\begin{aligned} \text{RVC} &= \frac{\$5.00 - \$3.50}{\$5.00} \\ &= 30\% \end{aligned}$$



Diagram 4: Example of RVC using Indirect Method

Example

SUBSTANTIAL TRANSFORMATION - CHANGE IN CHAPTER (CC)

CPTPP: PSR for HS 9201 is "A change to a good of subheading 9201.10 from any other chapter"

Finish Product HS 9201
(Singapore)



Raw
Materials



HS9202 (Fretboard) –
originating

HS9209 (string) –
originating

HS9031 (tuning
machines) – non-
originating from Europe



As per ROO, the non-originating materials used should not contain HS Chapter 92. The HS code for **non-originating material** "tuning machine" is **9031** (Chapter 90) and hence the **guitar meets the Change in Chapter (CC)**.

Diagram 5: Change in Chapter

Products that undergo substantial transformation or process rules

As per the Rules of Origin, the non-originating materials used should not contain HS Chapter 92. The HS code for non-originating material “tuning machine” is 9031 (Chapter 90). Hence, the guitar meets the [CC](#) requirements.

Example

Products that undergo substantial transformation or process rules

SUBSTANTIAL TRANSFORMATION - CHANGE IN HEADING (CTH)

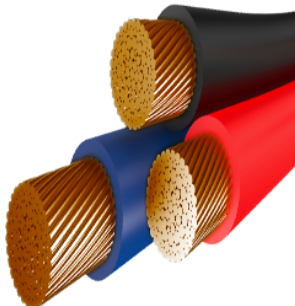
- ✓ **ATIGA:** PSR for HS 8482.30 is “A regional value content of not less than 40 percent; OR **a change to subheading 8482.30 from any other heading**”
- ✓ **Finished product** HS code **8482.30**
- ✓ Raw **material** imported from **Thailand (party)** – HS code 8481.30
- ✓ **Raw material** imported from **India (non-party)** – HS code 8480.10
- ✓ The finished good using **imported raw materials** from **Thailand** and India in this example have undergone **substantial transformation** leading to a change in Tariff Heading at the 4-digits level from **HS8481 to HS8482**. The final product will qualify for preferential treatment.



Diagram 6: Change in Tariff Heading

SUBSTANTIAL TRANSFORMATION - CHANGE IN SUB-HEADING (CTSH)

AANZFTA: PSR for HS 8102.96 is “**A change to any other subheading**”



Imported Raw Material HS Code: **8102.97**



Finished Product HS Code: **8102.96**



Diagram 7: Change in Tariff Sub-Heading

Products that undergo De Minimis Rule

De Minimis: Non-originating materials that do not meet the CTC requirement can still be considered as an originating good so long as they satisfy the de minimis rule. The de minimis rule varies among the different FTAs.

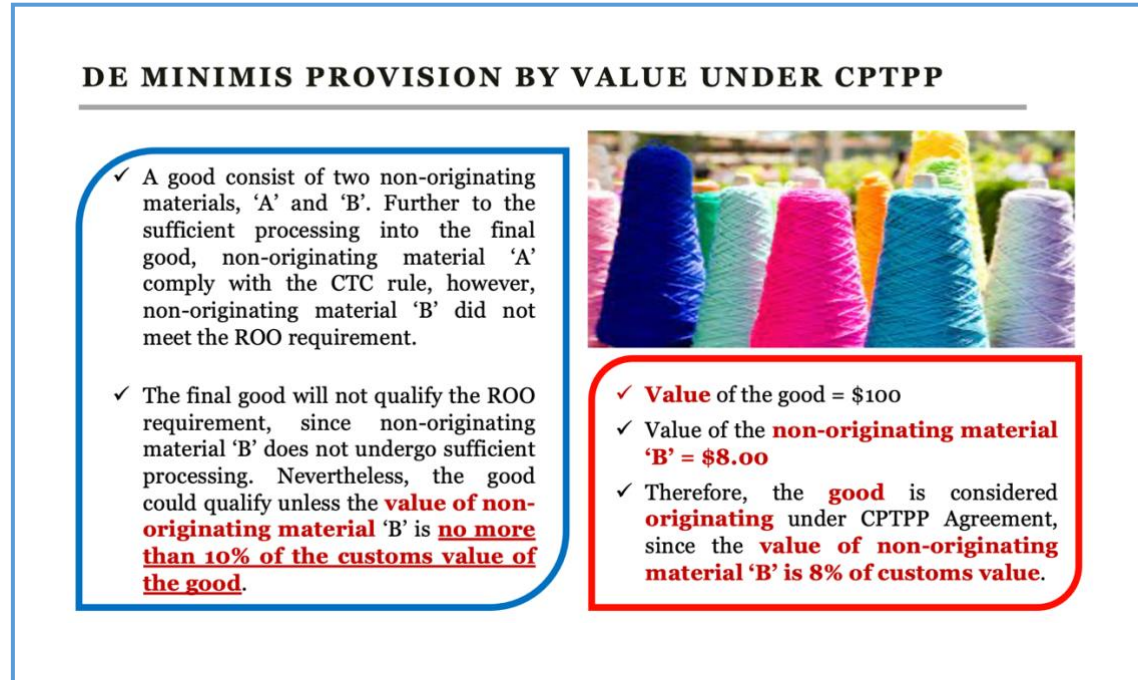


Diagram 8: De Minimis

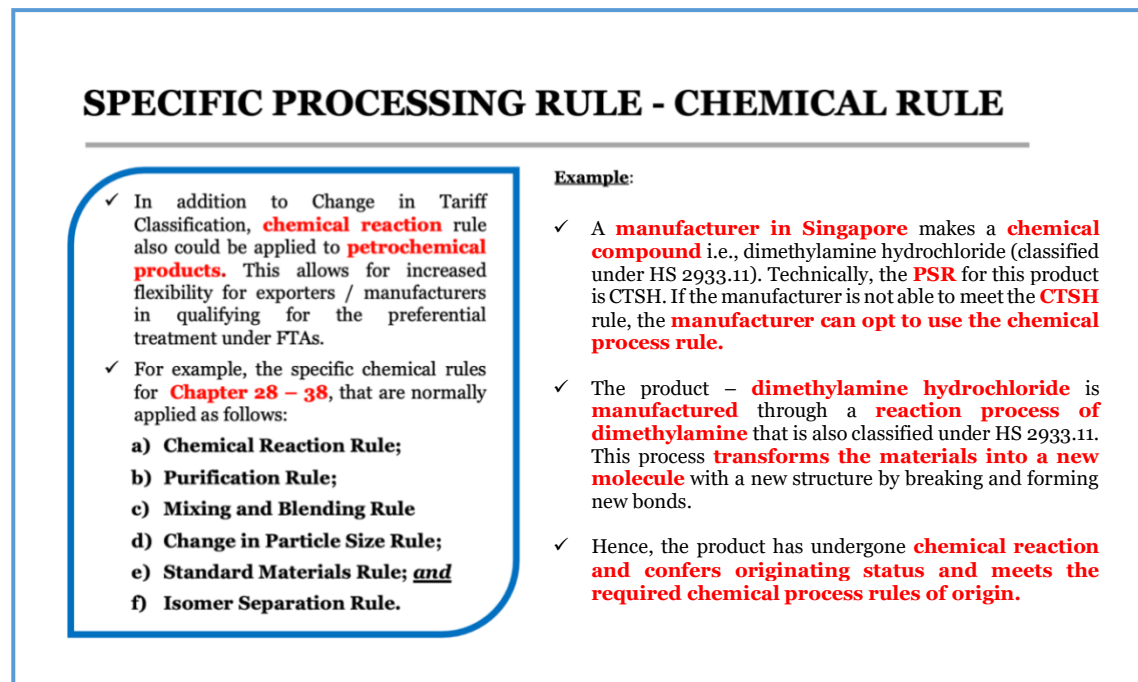


Diagram 9: Chemical Processing

General Rule

In some FTAs, apart from goods being subject to Wholly Obtained, they will have to adhere to the General Rule. General Rule is a single rule that applies to all products.

For example, ASEAN FTAs such as ATIGA, ACFTA, AKFTA, AJCEP and AHKFTA started with just a General Rule of RVC 40%. This means that goods exported are considered originating if they satisfy the RVC 40%. This will also enable the importer to obtain zero import duty or preferential duty under the said FTA. Over subsequent reviews, the criteria has been expanded to include other methodologies as reflected in the table below.

Table 10: ASEAN FTAs with the applicable Rules of Origin

ASEAN FTAs	Applicable Rules of Origin
ASEAN Trade in Goods Agreement	WO, 40% RVC based on FOB price or PSR General Rule: 40% RVC or CTH
ASEAN-China	WO General Rule: 40% RVC, or CTH for goods originating from HS Chapters 25, 26, 28, 29*, 31*, 39*, 42-49, 57-59, 61, 62, 64, 66-71, 73-83, 86, 88, 91-97. Footnote: <ul style="list-style-type: none"> • For Headings 29.01 and 29.02, the applied criterion is RVC 40%, unless otherwise mutually agreed by the Parties. • For Headings 31.05, the applied criterion is RVC 40%, unless otherwise mutually agreed by the Parties. • For Headings 39.01, 39.02, 39.03, 39.07 and 39.08, the applied criterion is RVC 40%, unless otherwise mutually agreed by the Parties.
ASEAN-Korea	WO, 40% RVC based on FOB price or PSR General Rule: 40% RVC or CTH
ASEAN-Japan	WO, 40% RVC based on FOB price or PSR General Rule: 40% RVC or CTH
ASEAN-India	WO General Rule: 35% + CTSH
ASEAN-Australia and New Zealand	No General Rule of RVC 40%. The General Rule was removed with the First Protocol to Amend the AANZFTA signed in 2014 and entered into force in 2015, which subjected all products to PSR.
ASEAN-Hong Kong, China	WO, 40% RVC, or PSR General Rule: 40% RVC



FTAs with Rules of Origin Subjected to More than One Criterion

Some FTAs are more stringent and require the goods exported to meet more than one criterion.

Example

FTAs with twin criterion are AIFTA and CECA. The goods must meet the twin criterion of:

- 35% RVC in the case of AIFTA or QC in the case of CECA; and
- Non-originating materials must undergo a [CTSH](#) at six (6)-digit HS Code

This is a stringent criterion as it is tied to both value content and the need for the goods to undergo sufficient processing. Other Singapore FTAs are not subject to such stringent criteria.

Table 11: Finished Product: Manufacture of Paint – HS 320910

Raw materials	HS Code	Country of Origin	Value (S\$)	% of FOB Value
Titanium dioxide	HS282300	India (considered as originating good)	20	28.17
Turpentine	HS380510	Malaysia	10	14.08
Resin	HS390422	Singapore	15	21.13
Additive	HS320890	Singapore	5	7.04
Overhead cost and other costs	-	Singapore	6	8.45
Profits	-	Singapore	15	21.13
FOB Value			71	100

Based on the twin criterion of 35% + CTSH, the final product, which is paint manufactured in Singapore qualifies for the Preferential Tariff under CECA's twin criterion of 35% + CTSH.

The raw materials have undergone substantial transformation as the raw materials are from HS code other than HS320910.

The RVC = Value of Originating materials (S\$61) / S\$71 x 100 = 85.9% which is more than 35%.



Other Examples of Rules of Origin in FTA

Some FTAs are more flexible and have simple Rules of Origin.

Example

AFTA allows for this flexible approach where goods can qualify for preferential zero import duty if it meets any of the following criteria:

- a) WO; or
- b) General Rule of 40%; or
- c) [CTH](#).

SLSFTA also allows a more flexible approach where goods can qualify for preferential zero import duty or reduced duty if it meets any of the following criteria:

- a) WO; or
- b) CTH; or
- c) QC 35%; or
- d) PSR that may apply to a limited number of products.

CPTPP provides for:

- a) WO; or
- b) PSR as specified for each of the tariff lines.

In the case of Singapore-Jordan FTA (SJFTA), goods can qualify for preferential tariff if it meets WO or achieves more than 35% RVC.

Most FTAs allow for a combination of Rules of Origin, depending on the goods exported.

The table below shows the Rules of Origin applicable to Singapore's FTAs (encompassing bilateral and plurilateral ASEAN, as well as other regional FTAs) that have been enforced.



Table 12: Rules of Origin applicable to Singapore's FTAs (bilateral/ regional FTAs)

No.	FTA	Wholly Obtained / Produced from Completely Originating Materials	Regional Value Content / Qualifying Content*	Change in Tariff Classification (CC, CTH, CTSH, Chemical Process)
1	ATIGA	✓	✓	✓
2	ACFTA	✓	✓	✓
3	AIFTA	✓	35% AND CTSH	✓
4	AJCEP	✓	✓	✓
4	AHKFTA	✓	✓	✓
5	AKFTA	✓	✓	✓
6	AANZFTA	✓	✓	✓
7	RCEP	✓	✓	✓
8	CPTPP	✓	✓	✓
9	ESFTA	✓	✓	✓
10	GSFTA	✓	✓	✓
11	TPSEP	✓	✓	✓

Note: *Regional Value Content: Refers to originating materials imported from all the FTA partners.

** India has a twin criterion specifying the need to comply with both RVC and CTSH.

Table 13: Rules of Origin applicable to Singapore's bilateral FTAs (ASEAN/regional FTAs)

No	FTA	Wholly Obtained / Produced from Completely Originating Materials	Qualifying Content*	Change in Tariff Classification (CC, CTH, CTSH, Chemical Process)
1	CSFTA	✓	✓	✓
2	EUSFTA	✓	✓	✓
3	CECA	✓	35% AND CTSH	✓
4	JSEPA	✓	✓	✓
5	KSFTA	✓	✓	✓
6	ANZSCEP	✓	✓	✓
7	PeSFTA	✓	✓	✓
8	PSFTA	✓	35%	✓
9	SAFTA	✓	40%	✓
10	SCRFTA	✓	✓	✓
11	SJFTA	✓	✓	-
12	SLSFTA	✓	✓	✓
13	TRSFTA	✓	✓	✓
14	UKSFTA	✓	✓	✓
15	USSFTA	✓	✓	✓

*Qualifying Content: Refers to originating materials from both Singapore and the FTA partner country.

Processes that Do Not Confer Originating Status (Minimal Processing)

In all FTAs, there is always a provision in the Rules of Origin that specifies certain minimal operations or processing which are considered insufficient to confer the origin of the goods. The provision(s) normally has a list of such minimal operations or insufficient working or processing to ensure manufacturers are kept updated. As the list of minimal operations differ cross the FTAs, businesses should check which applies for the FTA they are seeking to trade under.

Some examples of such activities include:

- a) Preserving operations to ensure that the good remains in good condition for the purposes of transport or storage;
- b) Packaging or presenting goods for transportation or sale;
- c) Simple processes, consisting of sifting, screening, sorting, classifying, sharpening, cutting, slitting, grinding, bending, coiling, or uncoiling;
- d) Affixing or printing of marks, labels, logos, or other like distinguishing signs on goods or their packaging;
- e) Mere dilution with water or another substance that does not materially alter the characteristics of the good;
- f) Disassembly of products into parts;
- g) Slaughtering of animals;
- h) Simple painting and polishing operations;
- i) Simple peeling, stoning, or shelling;
- j) Simple mixing of goods, whether or not of different kinds; or
- k) Any combination of two or more operations referred to in subparagraphs (a) through (j).

Examples

Simple Processing that Does Not Qualify for Preferential Tariff ⁵

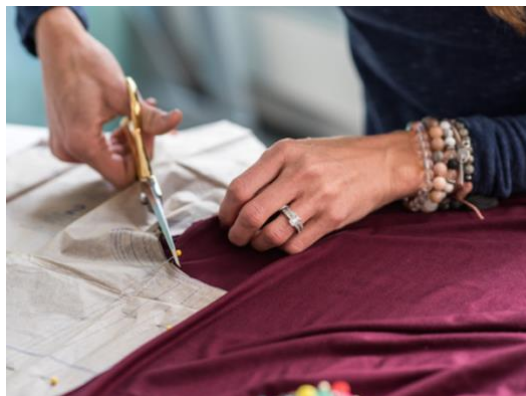


Diagram 10: Cutting fabric into two pieces

⁵ Different FTAs have different provisions for textile sector, and it is important for businesses dealing in textile products to look at the provisions under the Rules of Origin to determine the specific rules that apply for textiles to the country which they intend to trade or export.

Outward Processing

Some of Singapore's early FTAs provide for an outward processing scheme which is an exception to the Rules of Origin. Typically, it is applied to only a limited list of goods. As Singapore is practically duty free this provision is not necessary for imports into Singapore. This provision was found to be useful primarily to Singapore exporters who, due to constraints within Singapore, had to split the production process between Singapore and a third country but finished the product in Singapore from where the good would be exported.

Under this scheme, a manufacturer from an FTA partner is allowed to send materials or export the materials to a third country, which is a non-FTA Party, for further processing or outward processing. The processed goods are subsequently re-imported into Singapore for further finishing. The finished products could be exported to the FTA partner country if it meets the applicable rules of origin.

For example, the KSFTA provides for such arrangements for plastics products (HS39), machinery (HS84), electrical machinery (HS85), optical, photographic, cinematographic, measuring, checking, precision, medical or surgical Instruments and apparatus, parts, and accessories. Among the conditions are that the re-imported product is obtained through the processes of production or operation of the exported material. The final processing is done in the original country that sent the materials for further processing.



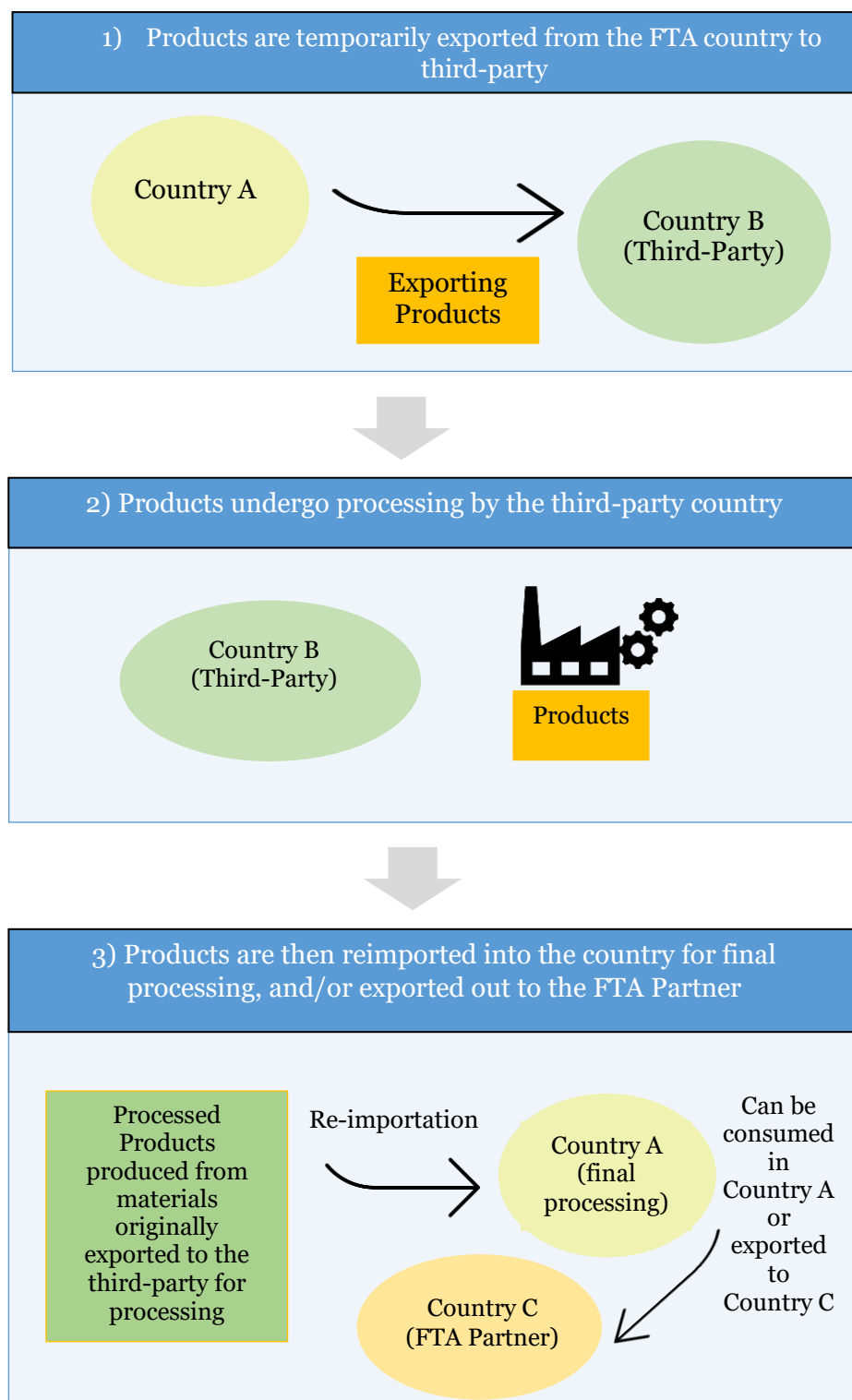


Diagram 11: Outward Processing Procedures

The Outward Processing scheme was accepted in Singapore's early FTAs that focussed on [RVC](#) criteria in recognition of Singapore's land and manpower constraints which necessitated some processing to take place in a third country. With the shift towards [CTH](#) and process rules, outward processing is no longer as necessary as it was in the past.

Example

[KSFTA](#) allows for outward processing for limited products that fall under:

- HS39 (plastics and articles thereof), HS84 (boilers, machinery and mechanical appliances);
- HS85 (electrical machinery and equipment); and
- HS90 (optical, photographic, cinematographic, precision, medical or surgical instruments and apparatus).

Scrap Material

Scrap can be considered originating if the following criteria provided under the Wholly Obtained rules segment of the ROO chapter is fulfilled:

- Derived from manufacturing or processing operations in the FTA parties; or
- Used goods collected in the FTA parties provided such goods are fit only for the recovery of raw materials.



Imported scraps from a non-FTA party cannot be considered as originating. As we move into the circular economy, production from waste and scrap could be a new production segment. The provisions would support sustainability.

Remanufactured Goods

Remanufactured goods are considered as originating products and qualify for preferential treatment in FTA, if it satisfies the Rules of Origin.

These goods are distinct from used products as remanufactured goods undergo substantial processes to restore the recovered materials and finished goods to almost close to the original goods. It is important to understand that simple processes such as dismantling, cleaning, repair and maintenance do not qualify the goods to be classified as remanufactured goods. The distinction between repaired and remanufactured goods is that remanufactured goods will have a 'like-new' warranty.

This is a niche market where goods, namely parts and components in industrial sectors such as electrical and electronic, machinery, medical equipment, automotive, aircraft and optical equipment could be restored, almost equal to a new or as good as the original goods. With the push towards a circular sustainable economy, it is likely that the scope for remanufactured goods will be expanded.

Recovered materials within an FTA can be used in the production of remanufactured goods to qualify as originating products. These products can benefit from preferential treatment, subject to the recovered materials and processes that meet the requirements of the Rules of Origin in an FTA.

Some of the FTAs which allow remanufactured goods are [USSFTA](#), [CPTPP](#), [SAFTA](#) and [PeSFTA](#).

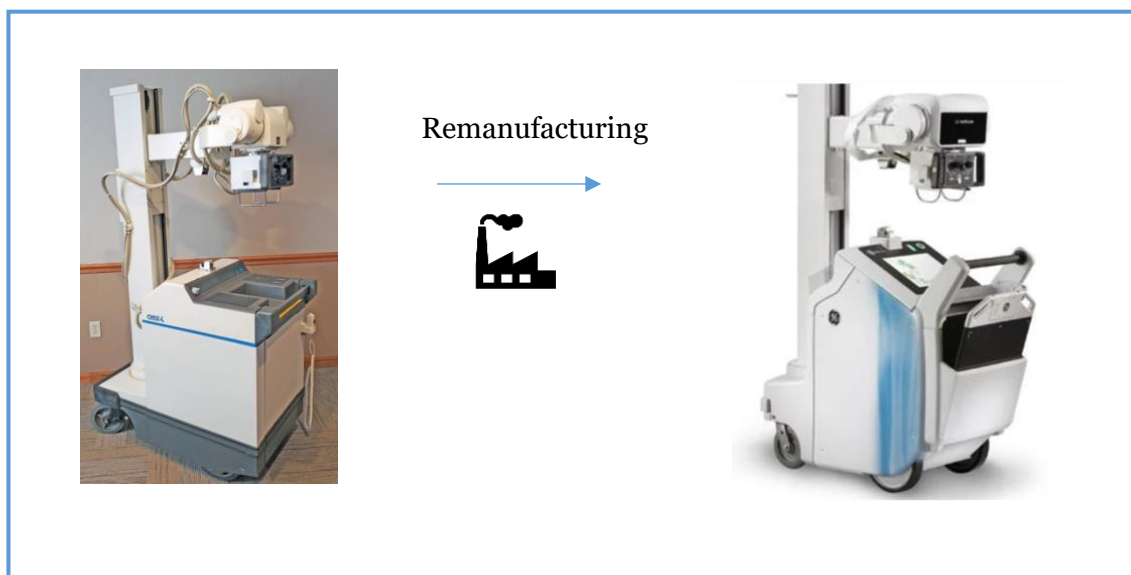


Diagram 12: Remanufactured Goods

Cumulation and Partial Cumulation

Cumulation is an integral part of Rules of Origin as it determines whether the originating status of goods is not WO. It can be bilateral, regional, partial, full cumulation or third-party cumulation. The description of each form of cumulation is captured in the examples below. It is usually linked to the RVC criteria as the combining value of the components of the final good sourced from the FTA partner(s) is a key benefit of cumulation.

Bilateral Cumulation

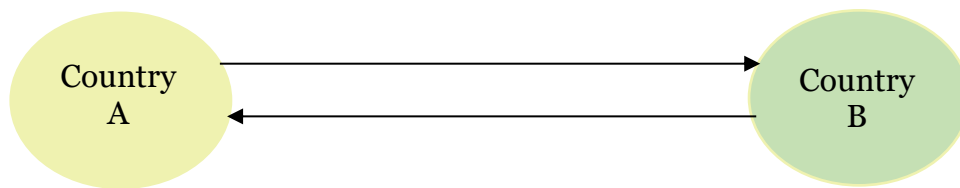


Diagram 13: Bilateral Cumulation

Materials originating in one FTA country could be considered as those originating in the other FTA partner country.

Example: Through [SAFTA](#), materials from both countries can be cumulated in determining originating status. In this scenario, it allows the manufacturer or producer in the exporting country (Singapore) to cumulate the value of materials or intermediate from the other partner country (Australia) in determining the originating status when the finished good are exported to the other partner country.

Regional Cumulation

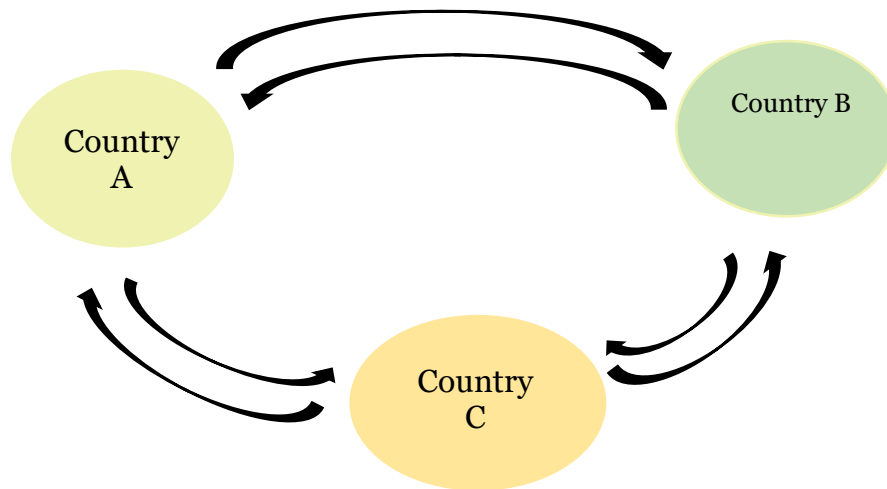


Diagram 14: Regional Cumulation

Regional cumulation allows the manufacturer or producer to cumulate materials from all partner countries in a regional FTA.

Example: Through ACFTA, materials from all 11 countries (ASEAN and China) can be used for cumulation to determine originating status. Materials from Country A (Vietnam) which is an ASEAN country, and Country B (China) can be imported to Country C (Singapore) for further processing to meet the [ROO](#) criteria. The finished goods can be exported to all 11 countries under preferential duty rates.

Partial Cumulation

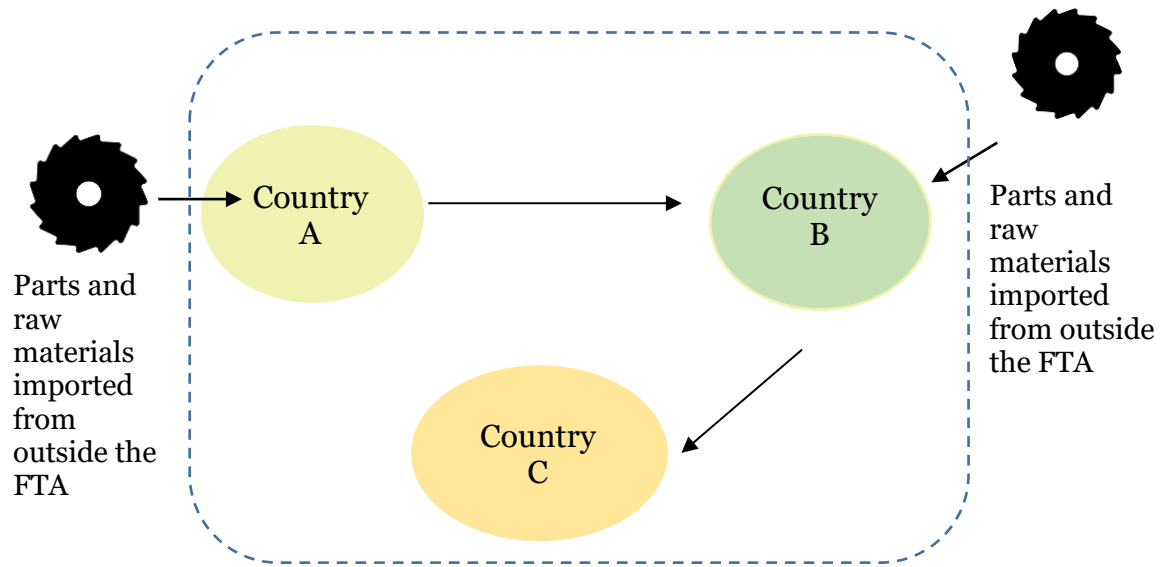


Diagram 15: Partial Cumulation

The ASEAN Trade in Goods Agreement under AFTA is the only FTA that allows for partial cumulation with certain conditions.

To qualify for originating status, any imported materials must have at least 40% qualifying ASEAN RVC.

A flexible approach is adopted whereby ASEAN has agreed that if a good is imported by another member, but the originating value is equal to or more than 20%, the 20% or more could be used for purposes of cumulation. If the material has less than 20% (19% and below), the 19% cannot be used for cumulation. This is different from the concept of full cumulation.

Example: Materials from country A (Indonesia) and Country B (Vietnam) with originating value of 20% or more could be imported by Country C (Thailand) for further processing. The 20% value of materials from both Indonesia and Vietnam can be included as originating materials in Thailand for the purpose of meeting the regional value content of 40%.

Full Cumulation

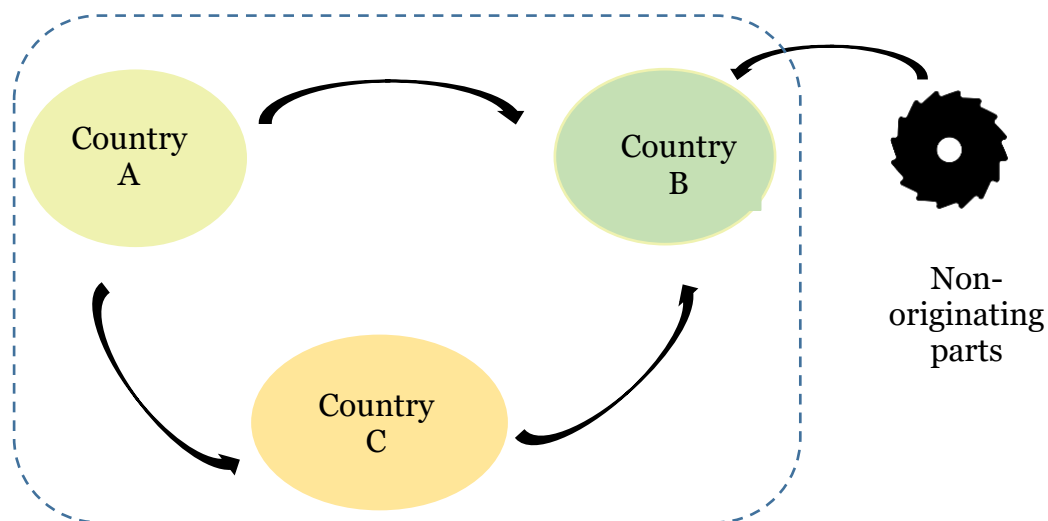


Diagram 16: Full Cumulation

Full cumulation allows non-originating goods to be considered as input for cumulation purposes. Here, every step throughout the manufacturing processes across all the countries will be used to identify its origins.

Example: Imported goods from one FTA partner that is Country A (Peru) has only 10% originating content in a good/product that is otherwise considered non-originating. Here, the 10% can be used for the purpose of cumulation and to determine the originating status of the finished good in the exporting FTA partner country, that is Country B (Singapore).

Third-Party Cumulation

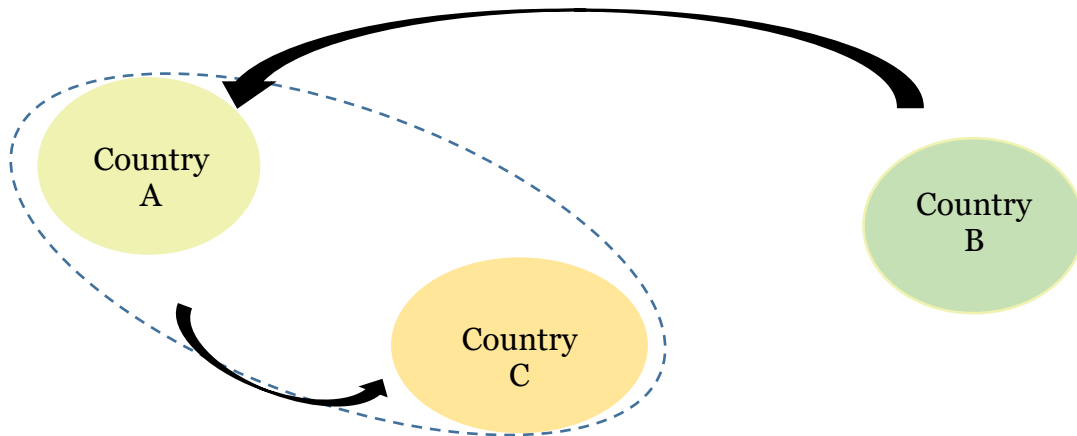


Diagram 17: Third-party Cumulation

Third-party cumulation allows for cumulation of materials from a third country (Country C). However, the third country or Country C is not a member of an applicable FTA but must be linked with the exporting and importing country by a trade agreement. Third-party cumulation from EU and ASEAN is allowed under the United Kingdom-Singapore FTA (UKSFTA) and the European Union-Singapore FTA (EUSFTA).

Example: Materials from Country C (Vietnam) can be imported into Country B (Singapore) for further processing and the finished goods can be exported to UK or EU (Country A) as Singapore, UK and EU are linked with Vietnam through FTAs.

See Annex D of the [EUSFTA Protocol 1](#) for the example above.

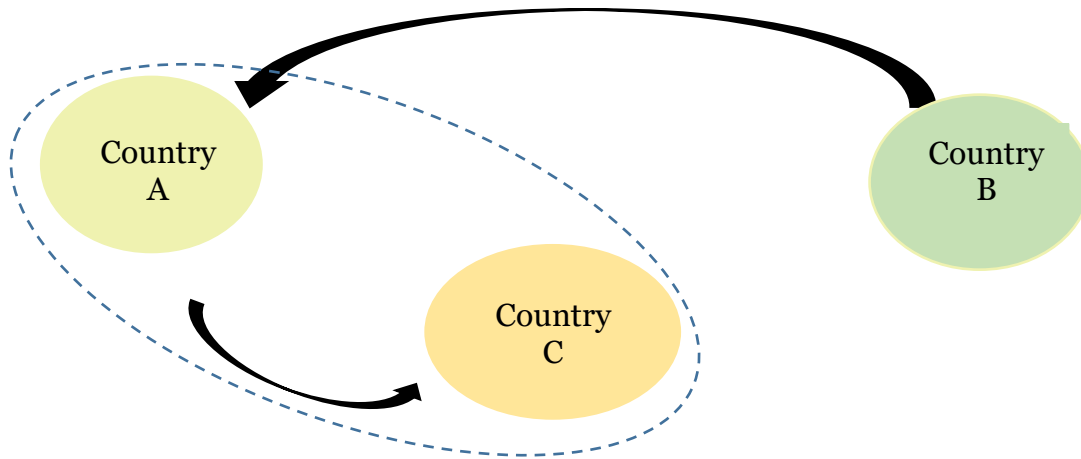
Example**TRSFTA**

Diagram 18: Third-party cumulation for TRSFTA

Cumulation of materials originating from EU

In the case of TRSFTA, third-party cumulation is allowed for all materials or goods falling under HS Chapters 25 to 97 (industrial goods). Goods or materials originating in the EU are considered as goods or materials originating in Singapore or Turkey when further processed or incorporated into a good obtained in Singapore or Turkey, as the case may be. The EU, Turkey and Singapore are linked by EUSFTA, EU-Turkey FTA and TRSFTA.

To qualify for third-party cumulation, the imported good or material from EU must undergo sufficient working or processing. Simple or minimal operations or insufficient working or processing will not be qualified for cumulation.

The goods or materials originating from the EU must comply with the [Rules of Origin](#) identical to those applied, if the said goods or materials were exported directly by EU to Singapore or Turkey.

Cumulation of materials originating from ASEAN

The TRSFTA also allows for goods or materials falling under HS 25 to 97 (industrial goods) that originates from ASEAN to be considered as materials originating in Singapore or Turkey when further processed or incorporated into goods obtained in Singapore or Turkey, as the case may be.

Example: Products originating from an ASEAN country that has an FTA with Turkey can be considered for cumulation. However, the goods or material used must comply with the same Rules of Origin as if the goods or material is exported directly from that ASEAN country to Turkey and the goods or material imported from the ASEAN country

must have the same rate of duty in all three parties (ASEAN country with FTA Turkey, Singapore and Turkey).

Goods or materials from an ASEAN country with no FTA with Turkey cannot be included for purposes of cumulation. Singapore's FTA with Turkey, EU and UK allow for third-party cumulation or extended cumulation. Third-party cumulation is allowed under a set of conditions.

Note: As of print (31 March 2022), modality for the implementation of ASEAN Cumulation for the EUSFTA, TRSFTA and UKSFTA is still under discussion

Cumulation of materials originating from ASEAN countries which benefit from Turkey's General System of Preferences (GSP)

A limited list of goods from ASEAN benefitting from the General System of Preferences (GSP) Scheme of Turkey can also be considered as originating, provided the goods imported into Singapore from these ASEAN countries meet the preferential Rules of Origin applicable to GSP.

Example: Petroleum, chemicals, machinery parts and components as well as optical goods.

EUSFTA

In the case of EUSFTA, goods or materials originating from an ASEAN country as set out in Annex D of the ROO Protocol 1 can be considered as materials originating in Singapore or when further processed or incorporated into a good obtained in Singapore for export to the EU.

Cumulation is only allowed with an ASEAN country that has a preferential trade agreement with EU, for example the European Union-Vietnam FTA (EVFTA). The goods or material imported for incorporation in Singapore must undergo working or processing beyond the minimal operations. The goods or material imported comply with the Rules of Origin of the preferential trade agreement between EU and the ASEAN country.

A limited list of goods from ASEAN that benefits from the GSP Scheme of EU can also be considered as originating provided the goods imported into Singapore from these ASEAN countries meet the Preferential Rules of Origin applicable to GSP. Cambodia and Laos enjoy Everything But Arms (EBA) for least developed countries (LDCs) which benefit from duty-free (0% duties), quota-free access to the EU market for all products except arms and ammunition. Meanwhile, the EBA for Myanmar has been suspended. Other GSP beneficiaries from ASEAN are Indonesia, Vietnam and the Philippines.

Examples: Petroleum, chemicals, machinery parts and components as well as optical goods.



UKSFTA

Under the third-party cumulation, goods or materials originating from EU can be considered as materials originating in UK or when further processed or incorporated into a good obtained in UK.

Similarly, goods or materials originating in an ASEAN country can be considered as materials originating in Singapore or when further processed or incorporated into a good obtained in Singapore. The ASEAN country must have a preferential trade agreement with UK, for example, UK-Vietnam FTA (UKVFTA). The goods or materials must undergo working or processing beyond the minimal operations and comply with the Rules of Origin of the preferential trade agreement between UK and the ASEAN country.

A limited list of goods from ASEAN benefitting from the GSP Scheme of UK can also be considered as originating, provided the goods imported into Singapore from these ASEAN countries meet the preferential Rules of Origin applicable to GSP.

Examples: Petroleum, chemicals, machinery parts and components as well as optical goods.



Rules of Origin: Additional Flexibility and Product Sectors

For certain FTAs, there are additional flexibilities in terms of Rules of Origins that apply to a few product sectors.

Table 14: FTAs with the rules of origin-related additional flexibilities

FTA	Explanation
CSFTA	<ul style="list-style-type: none"> Exporters can use either the General Rule of a RVC of not less than 40% or alternative process rule to confer originating status. Improvements in the Rules of Origin allow for process rules. This means that more products such as petrochemicals, organic chemicals, plastics, leather goods, footwear and others as listed in the new annex to the Rules of Origin on product specific rules could be produced in Singapore. They also qualify for preferential treatment for exports to China, effective 1 Jan 2020.
ANZSCEP	<ul style="list-style-type: none"> Flexible Rules of Origin of RVC either not less than 30% using the build-up (direct) method or not less than 40% using the build-down (indirect method and product specific rules offer opportunities for Singapore to export electronics, chemicals, processed food, pharmaceuticals, machinery parts and components, optical instruments and appliances to New Zealand.
TRSFTA/EUSFTA/ UKSFTA	<ul style="list-style-type: none"> Certain Asian food products originating in Singapore fall under Chapter HS 16 such as sausages, canned luncheon of pork, ham or chicken meat and curry fish balls are eligible for duty free (zero import duty) access to Turkey/ EU under more flexible ROOs. However, it has an annual quota limit.



Preferential Certificate of Origin (PCO)

To claim preferential zero import duty or reduced duty under an FTA, an importer will need to show proof of origin for the goods imported.

The PCO is an important document to prove to the Custom's authority in the importing country the following criteria:

- Goods imported originate from the FTA partner country;
- Goods meet the Rules of Origin requirements; and
- Goods are eligible for preferential import duty under the FTA.

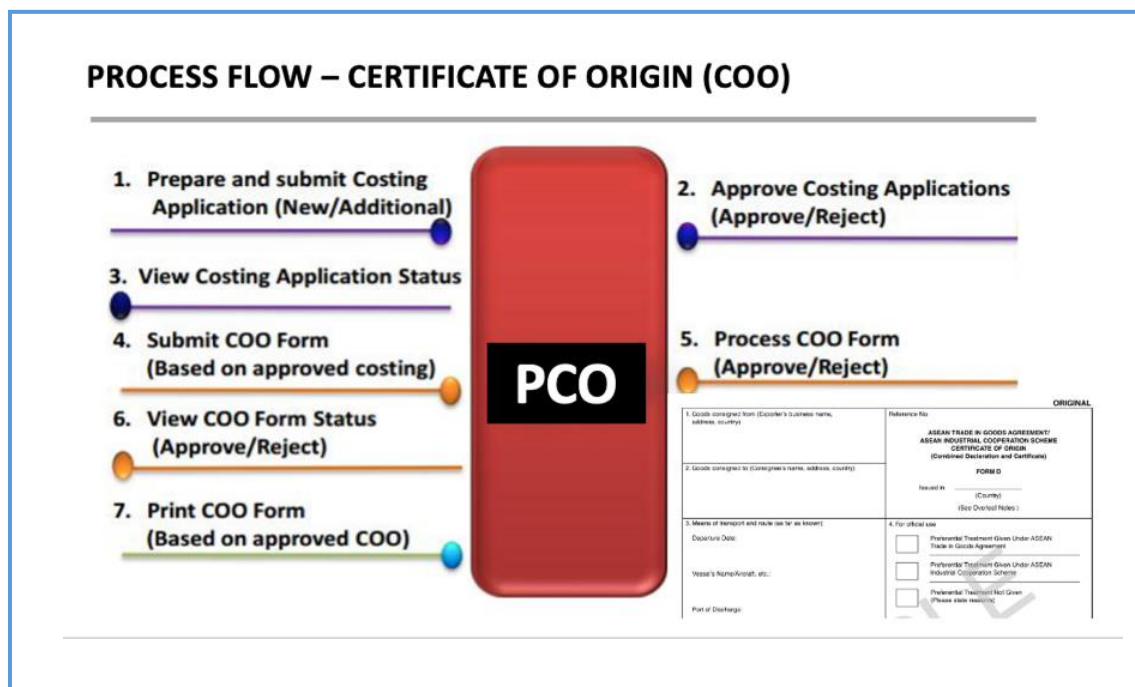


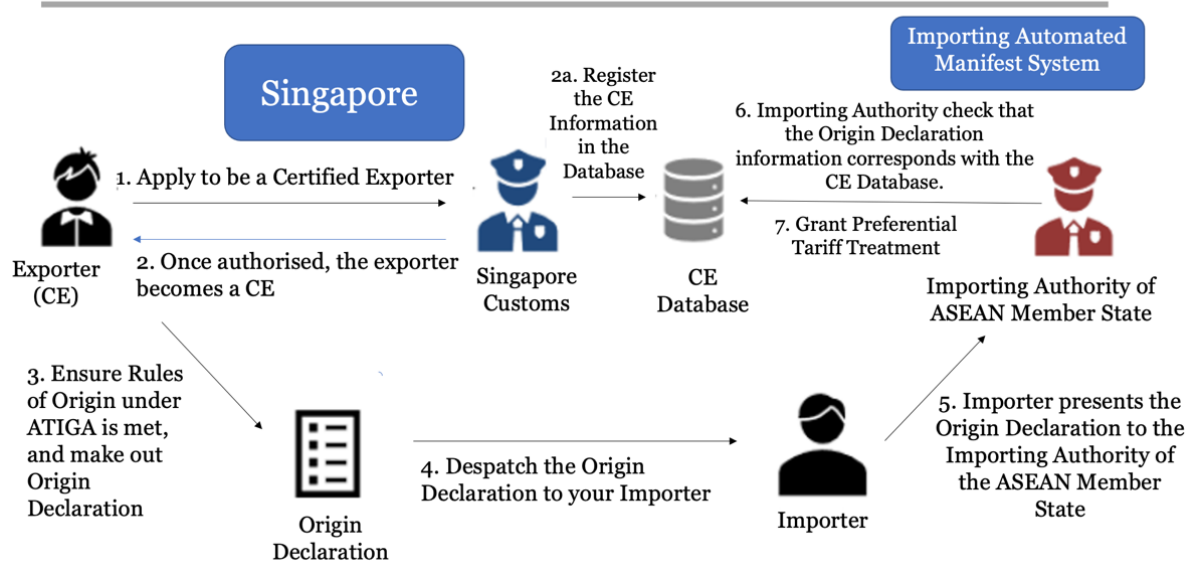
Diagram 19: Certificate of Origin

There are three (3) distinct types of Certificates of Origin.

Preferential Certificate of Origin	Self-Certification	Self-certification scheme and DO issued only by an "authorised exporter"
<p>Issued by an authorised government body or otherwise known as the Issuing Authority (IA).</p> <p>In Singapore, it is the Singapore Customs.</p>	<p>Occurs when an importer presents a DO made by the manufacturer, producer, exporter or an authorised person by the manufacturer, producer or exporter.</p> <p>In some cases, the DO is made by the importer, based on information obtained from the manufacturer, producer or exporter.</p>	<p>The authorised exporter can be manufacturer, producer or an exporter that have been allowed to issue the DO by the IA.</p> <p>This is a flexibility given by the IA to the manufacturer, producer or exporter with a good track record and has proper understanding of the Rules of Origin.</p>

The requirements of PCO or DO are normally spelt out in the FTA under the article on Proof of Claims.

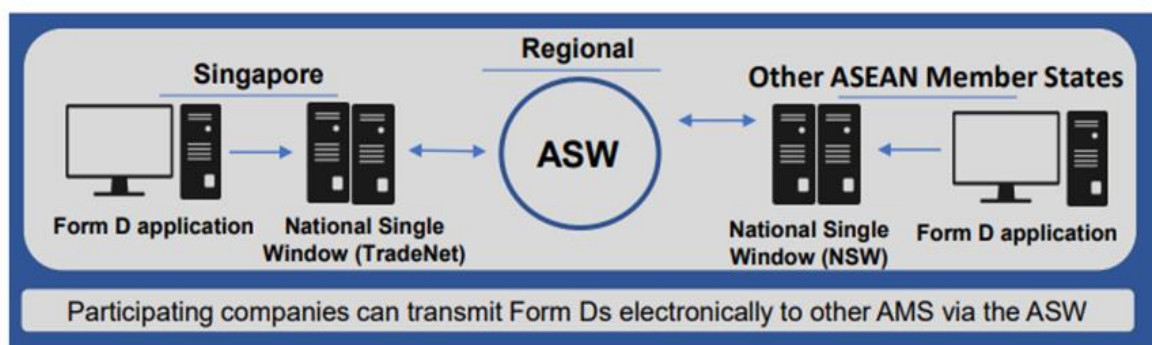
PROCESS FLOW – ASEAN-WIDE SELF-CERTIFICATION SCHEME



Source: Singapore Customs

Diagram 20: Example of ASEAN Wide Self Certification

PROCESS FLOW – ELECTRONIC TRANSMISSION OF FORM D VIA THE ASW



ORIGINAL	
1. Goods consigned from (Exporter's business name, address, country)	Reference No.
2. Goods consigned to (Consignee's name, address, country)	ASEAN TRADE IN GOODS AGREEMENT/ ASEAN INDUSTRIAL COOPERATION SCHEME CERTIFICATE OF ORIGIN (Combined Declaration and Certificate) FORM D Issued in _____ (Country) (See Overleaf Notes)
3. Means of transport and route (as far as known)	4. For official use
Departure Date: _____ Vessel's Name/Aircraft, etc.: _____ Port of Discharge: _____	<input type="checkbox"/> Preferential Treatment Given Under ASEAN Trade in Goods Agreement <input type="checkbox"/> Preferential Treatment Given Under ASEAN Industrial Cooperation Scheme <input type="checkbox"/> Preferential Treatment Not Given (Please state reasons)

Diagram 21: Process Flow

Third-Party Invoicing

Typically, the [PCO](#) or Self-Certification document must be supported by the invoice issued by the exporter from the exporting FTA partner country. This is one of the conditions that will be specified under the preferential certificate or self-certification operational procedures.

Given the ever-changing business model, it is not uncommon that invoices are sometimes issued by the exporters' parent company or regional offices located in third country which may or may not be a party to the FTA.

FTAs with ASEAN and CSFTA (bilateral FTA) allow for the issuance of third-country invoicing or commonly referred in FTAs as third-party invoicing for the purpose of clearance of goods in the importing countries. Currently, third-party invoices are allowed in ASEAN Trade in Goods Agreement (ATIGA), ASEAN FTAs with China, Japan, Korea, India, Australia and New Zealand and RCEP.

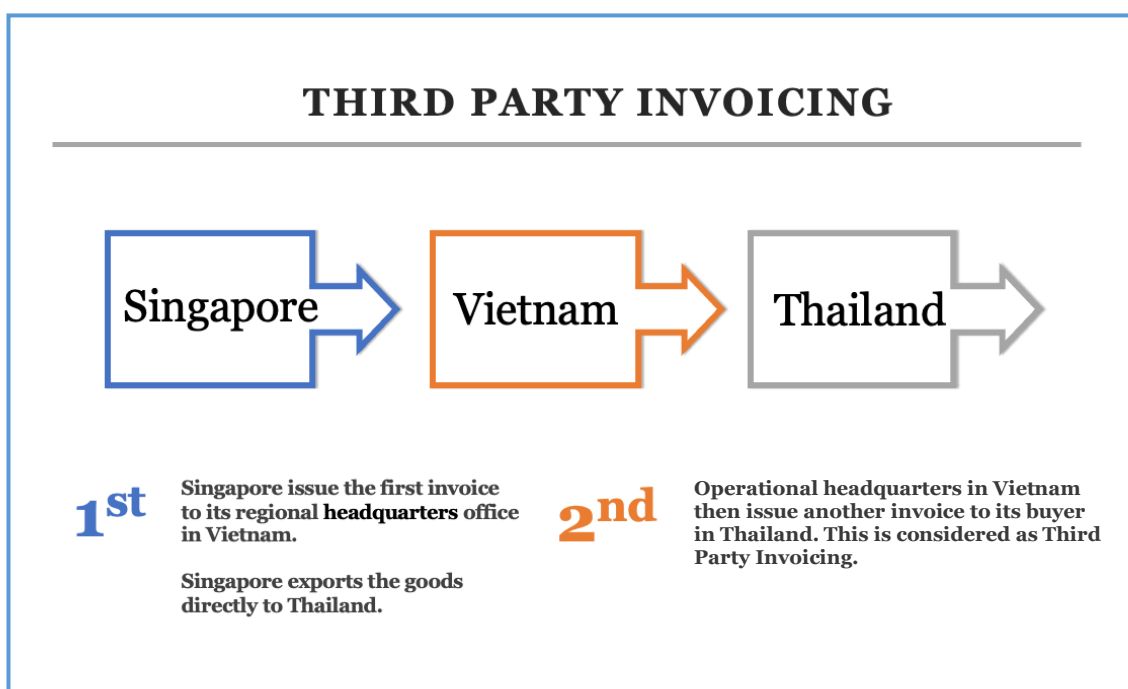


Diagram 22: Third-Party Invoicing

Back-to-Back Preferential Certificate of Origin (Back-to-back PCO)

[ATIGA](#) and the ASEAN FTAs with China, Japan, Korea, India, Australia and New Zealand allow for the issuance of back-to-back preferential PCO under specific conditions. In this case, the Back-to-Back PCO is issued by an intermediate FTA partner country based on the PCO issued by the first FTA partner country and subject to fulfilment of certain conditions. The intermediate FTA partner does not require the exporter to submit costings/process flow for purposes of verifying whether the products qualify for the FTA preferential tariffs.

The conditions that need to be fulfilled are that goods imported from the first FTA exporting partner country are stored at any customs-bounded warehouses of the intermediate FTA partner country. The goods to be re-exported must not undergo any further processing in the intermediate FTA partner country. Activities such as unloading, reloading, storing or repacking, or any operations necessary to preserve the goods in good condition are permitted.

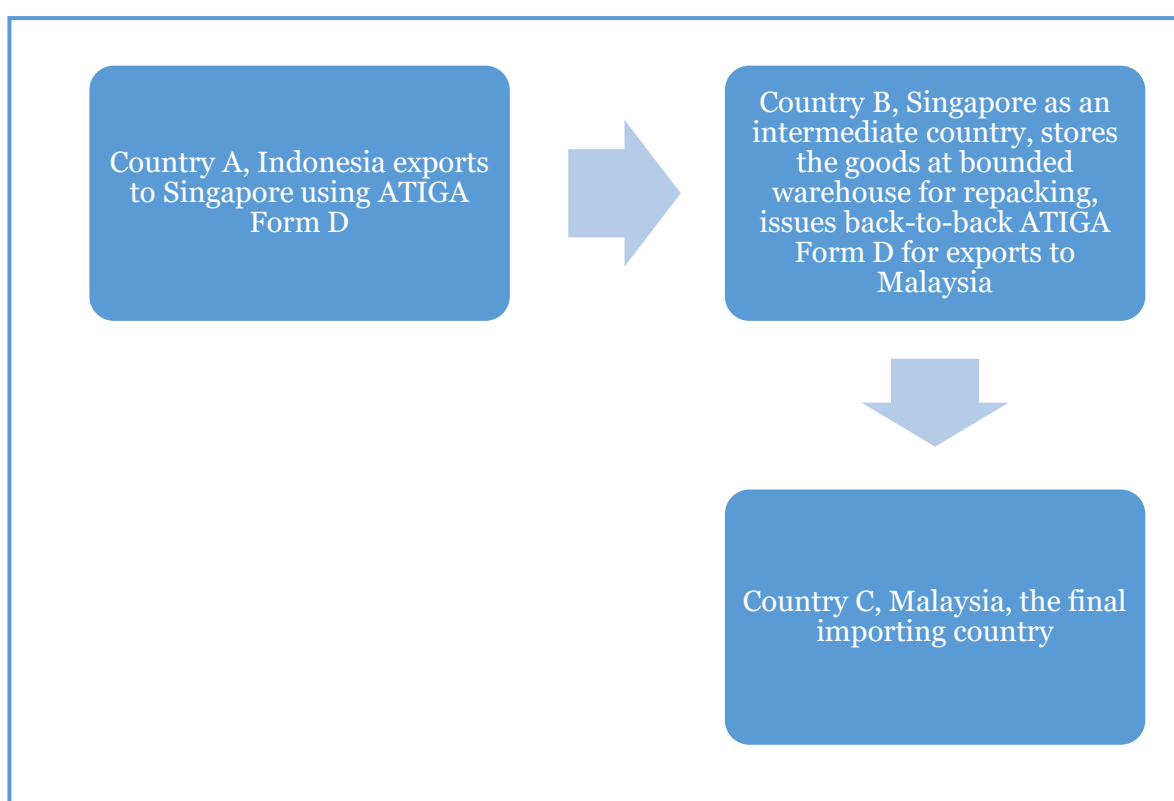


Diagram 23: Back-to-back Preferential Certificate of Origin

A. Issuing Authority

The PCO Issuing Authority in Singapore is the Singapore Customs. The application for a PCO with the Singapore Customs is to be made via TradeNet®.

Application Process

There is a three (3)-step application process to apply for a PCO with Issuing Authority, as follows:

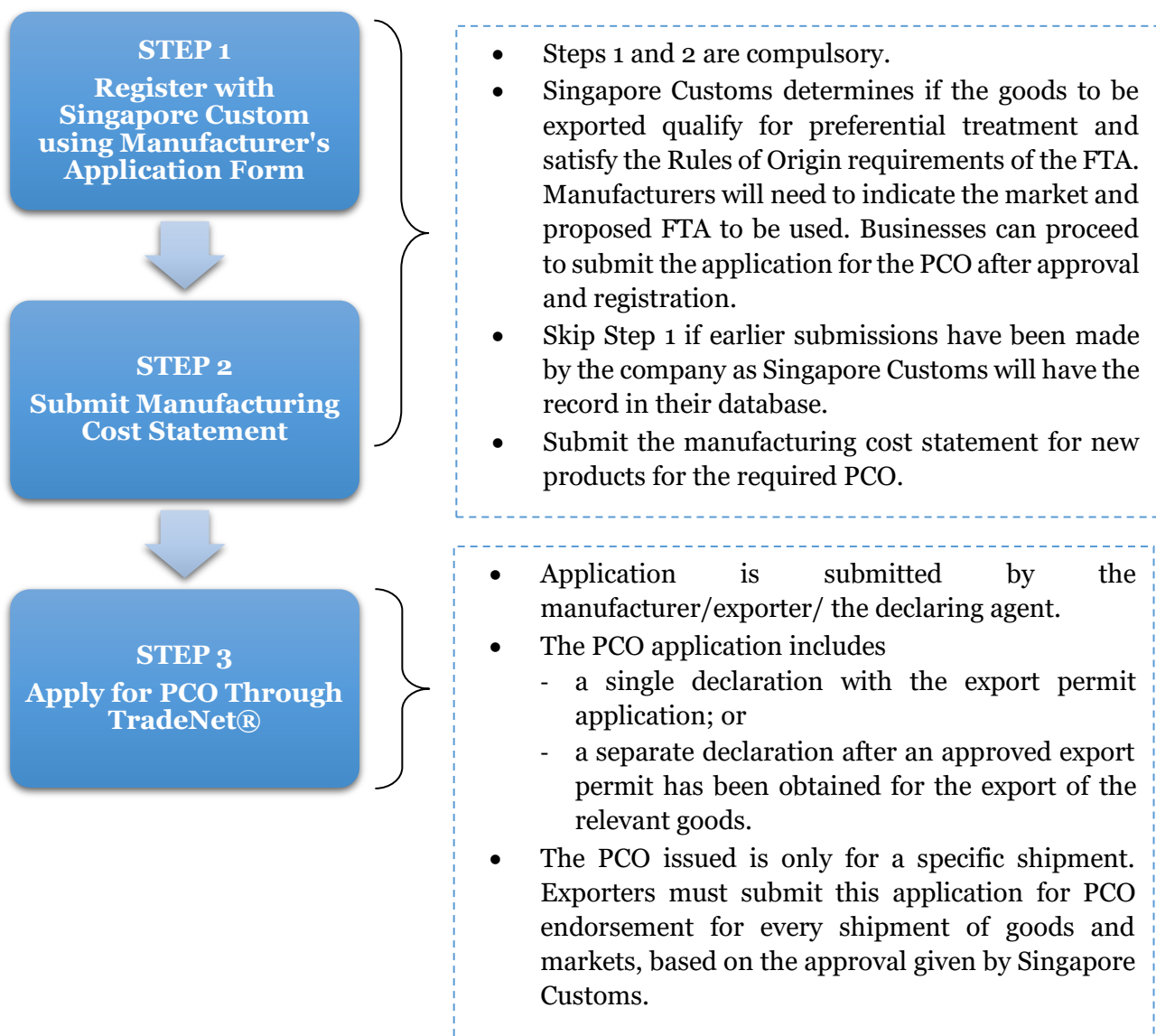


Table 15: Singapore FTAs' proof of claims that require authorised CO from Singapore Customs

CO endorsed by Singapore Customs	Form
AANZFTA	Form AANZ
ACFTA	Form E
AHKFTA	Form AHK
AIFTA	Form AI
AJCEP	Form AJ
AKFTA	Form AK
JSEPA	PCO
CECA	PCO
CSFTA	PCO
KSFTA	PCO
PeSFTA	PCO
GSFTA	PCO
SLSFTA	PCO
RCEP	Form RCEP

Table 16: Singapore FTAs where manufacturers and exporters can self-declare through a DO as proof of claim

FTAs	Self-Certification
ANZSCEP, CPTPP ⁶ , ESFTA, EUSFTA, SCRFTA, PSFTA, SAFTA, TPSEP, TRSFTA, UKSFTA	DO by manufacturers and exporters
USSFTA	DO by importer

⁶ Under CPTPP, an importer may make a claim for preferential tariff treatment based on a Certification of Origin completed by an importer or an exporter, or a producer/manufacturer.

B. Declaration of Origin (DO)

A simpler and cost-effective way of proof of claim for preferential duty is through a self-certification method.

Unlike the Certificate of Origin, the manufacturer, exporter, trader, importer, or the authorised person can issue a DO, stating that the goods exported meet the Rules of Origin conditions of the FTA partner or partners.

In this case, the onus is on the manufacturer, exporter, trader, importer, or authorised person to ensure the goods meet the Rules of Origin requirements.

The DO must be a signed statement confirming the originating status of the goods made by the producer, manufacturer, exporter or importer on invoice, delivery order, or any commercial document. It needs to state that goods exported meet the Rules of Origin of the specific FTA. Some FTAs have a specific format and fields that must be followed when issuing the DO.

Example

A Company has certified that the goods described in this document qualify as originating and the information contained in this document is true and accurate.

The Company assumes responsibility for proving such representations. It agrees to maintain and present upon request or to make available during a verification visit, the necessary documentation to support this certification.



Important information to have in the DO:

- ✓ Name of the certifier: Exporter or importer or authorised person and contact details.
- ✓ Description and HS Tariff Classification of the good or multiple goods
- ✓ Covers only a single good or multiple goods in one shipment
- ✓ The applicable Rules of Origin and compliance.



Self-Certification and Penalties for False Declaration

False declaration under Certificate of Origin issued by Issuing Authority or self-declaration attracts severe penalties under Singapore law. The penalties for making false declarations under Singapore's Regulation of Imports and Exports Regulations are:

- (1) A fine not exceeding S\$100,000 or three (3) times the value of the goods, in respect of which the offence was committed, whichever is greater, or imprisonment for a term not exceeding two (2) years or both for first time offence; and
- (2) A fine not exceeding S\$200,000 or four (4) times the value of the goods in respect of which the offence was committed, whichever is greater, or imprisonment for a term not exceeding three (3) years or both for subsequent offence committed by the same manufacturer, producer, exporter, or importer.

Generally, for the purposes of the verification process, each FTA will specify the duration the exporters must keep supporting records in relation to the Proof of Origin.

For example, under ATIGA/AFTA, the exporter is required to keep the records for not less than three (3) years from the date of issuance of the Proof of Origin.

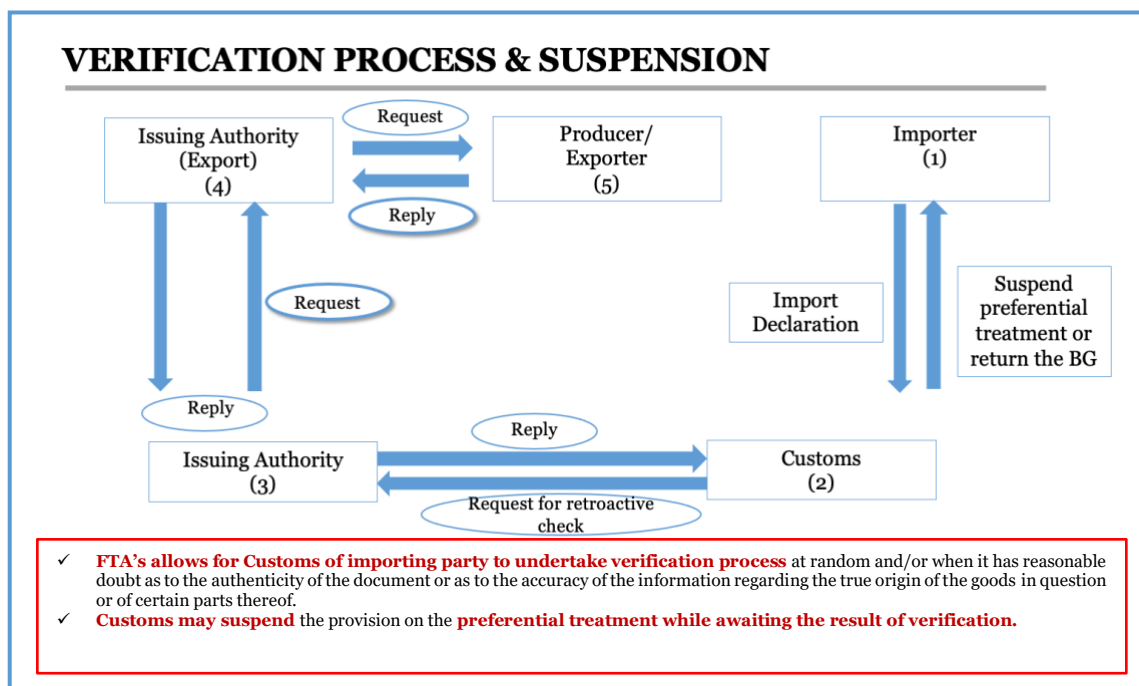


Diagram 24: Verification Process and Suspension

Source: [Royal Malaysian Customs Department](#)

2.3 Customs Procedures and Trade Facilitation

The objectives of the Customs Procedures and Trade Facilitation ([CPTF](#)) sector are:

- Ensure predictability, consistency and transparency in the application of customs laws and regulations of the parties;
- Promote efficient, administration of customs procedures and the expeditious clearance of goods;
- Simplify customs procedures; and
- Promote co-operation among the customs administrations of the Parties.

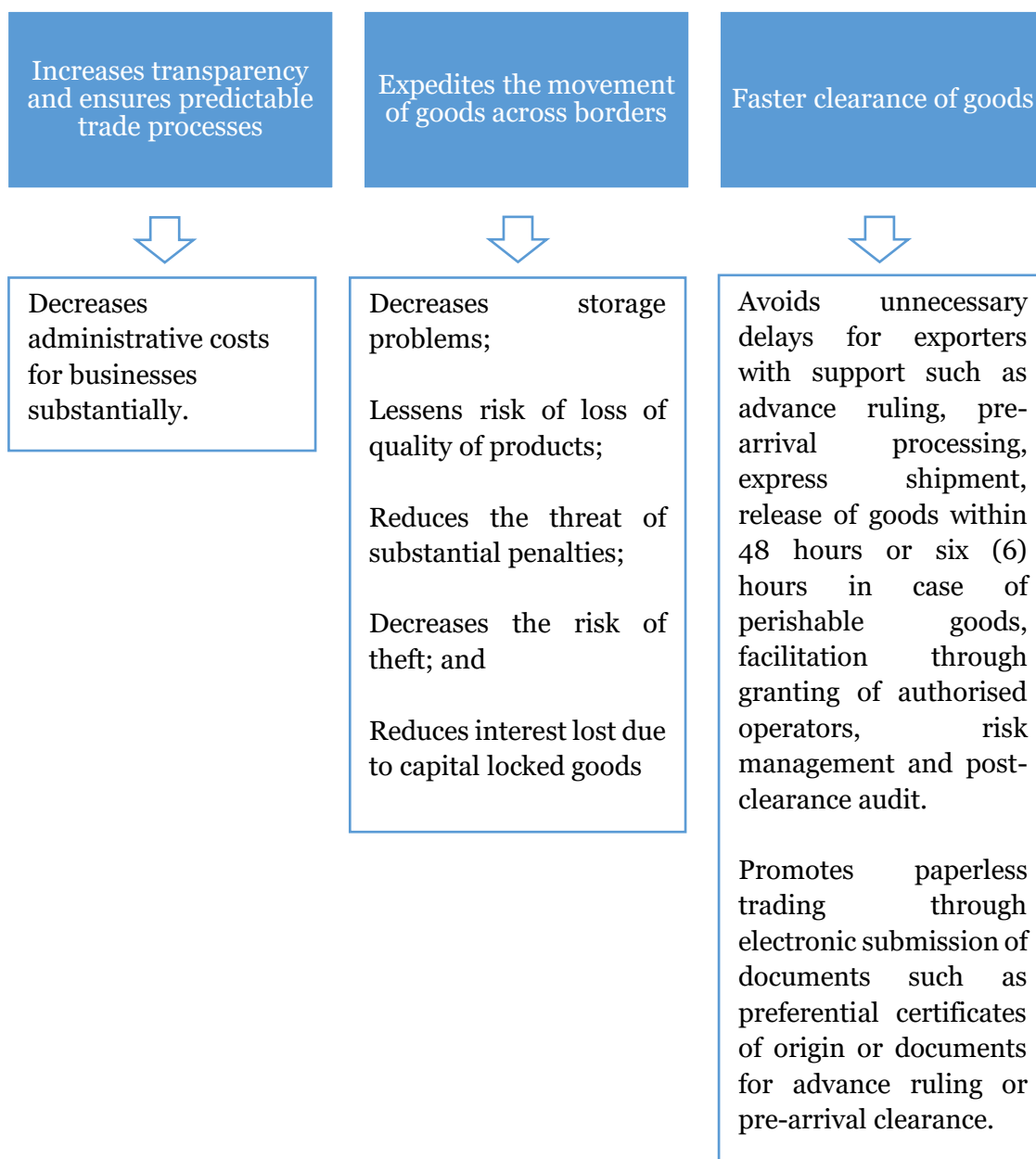
Trade Facilitation

Trade facilitation measures are methods to reduce the red tape associated with international trade. It also ensures faster, cheaper, and more predictable movement of goods across borders.

These measures under FTAs are important because even with the elimination of tariffs, international trade may still be subject to burdensome customs procedures due to non-tariff barriers among FTA members. Therefore, trade facilitation measures make it easier for businesses to conduct cross-border trade and participate in global trade.



Benefits of Trade Facilitation



In some cases, FTA partners agree not to require the mandatory use of customs brokers or agree to apply transparent, non-discriminatory, and proportionate rules when licensing customs brokers.



Different methods used for conducting Clearance of Goods.

Example 1: Expedited Clearance of Goods

In the ANZSCEP, both countries agreed to streamline administrative procedures to enable goods that reach their respective borders to be released within 24 hours upon arrival, and express consignments to be released within four (4) hours of submission of the necessary documentation to customs. These are the shortest release times for goods and expedited shipments among Singapore's FTAs.

Singapore food exporters will benefit from improved market access, expedited clearance of exported goods and enhanced transparency of regulations.

Example 2: Advance Ruling for Clearance of Goods

This ruling allows the manufacturer, exporter or importer to obtain from the importing country in advance of shipment of goods the tariff classification for the product exported, whether the goods comply with the Rules of Origin and the valuation method used for the product exported.

This facility provides greater certainty to manufacturers, exporters and importers that the products exported will not be rejected or subject to further scrutiny or other unnecessary document requirements.

For example, under the [CPTPP](#) agreement, a Singapore exporter of solar panels (HS 85414011) can write to Australia for advance ruling and request for confirmation of tariff classification or application of customs valuation criteria or the product is considered originating based on the CPTPP Rules of Origin. Australia is required to issue the advance ruling expeditiously but no later than 150 days after receipt of request. Sample of the product for which advance ruling is required may also need to be submitted, if required. In case the request is rejected the requester is also notified in writing the circumstances and basis for arriving at such a decision. RCEP and a number of FTAs have similar provisions.

Example 3: Electronic Submission of Documents

Under the ACFTA and upgraded CSFTA, both countries have agreed to implement the Electronic Origin Data Exchange System (EODES) from November 2019 onwards where companies will no longer need to submit the Certificate of Origin in hardcopy to China. This not only provides for efficient and faster clearance of goods but also, saves costs for both exporter and importer.



2.4 Non-tariff Measures (NTMs) and Non-Tariff Barriers (NTBs)

NTMs are wide-ranging, covering measures in terms of purpose, legal form, and economic effect (OECD, 2021)

Table 17: A summary of NTM classification can be found below (UNCTAD, 2012)

Imports	Technical measures	Sanitary and Phytosanitary measures (SPS)
		Technical Barriers to Trade (TBT)
		Pre-shipment inspection and other formalities
	Non-technical measures	Contingent trade-protective measures
		Non-automatic licensing, quotas, prohibitions, and quantity-control measures other than for SPS or TBT reasons
		Price-control measures, including additional taxes and charges
		Finance measures
		Measures affecting competition
		Trade-related investment measures
		Distribution restrictions
		Restrictions on post-sales services
		Subsidies
		Government procurement restrictions
		Intellectual property
		Rules of Origin
Exports		Export-related measures

The difference between NTMs and NTBs

Often mistaken for each other, NTMs comprise a wider set of measures than NTBs. NTBs are subdivisions of NTMs and are imposed under the guise of NTMs to protect inefficient domestic industries from foreign competition. In other words, countries impose restrictive measures to discourage imports or make the process of importing into the country difficult.

Under WTO law, countries are allowed to maintain NTMs as long as it is justifiable, and it is not intended to be a form of NTBs to restrict imports. As more NTMs are applied to products/goods, the trading process of the product will be affected by the limits imposed on either trading quantity or price or both.

Products are rarely affected by only one type of NTM.



NTMs are considered as NTBs when they are (APEC, 2020):

- (i) Made to protect;
- (ii) Becoming excessive in affecting trade from what it is supposed to be; and
- (iii) Influencing the price and quantity of trade practice and proven to be discriminatory.

In this context, all FTAs have provisions which calls for FTA partners not to maintain NTMs, except those that are allowed or permissible in accordance with its rights and obligations under the WTO Agreement or the FTA Agreement. For these permissible NTMs, FTAs provide ways in which to mitigate the impact of these legitimate domestic regulations through improved transparency, shorter approval times as well as conformity or equivalence provisions that reduce cost of testing requirements before the product can be sold on the market.

In short, FTA calls for members to eliminate NTBs, quantitative restrictions or other form of restrictions that will hinder imports. If you do encounter such restrictions it is best for companies to seek advice on the legitimacy of these restrictions through SBF. The examples below offer some guidance on this.

Businesses and NTBs

Businesses have the right to raise to their respective governments the NTBs that they face in a market. Without such feedback from business, it is difficult for the Singapore government to pursue and resolve the matter in the interest of the company or provide guidance to business on how to deal with the measure.

Example 1

A Singapore manufacturer of chemicals faces a problem in exporting to Country A as Country A has introduced a new measure (e.g. import license) that restricts imports. Upon receipt of this information from the local business, the Singapore government will check if this restriction is permissible and raise the issue with Country A, with a view to finding a solution through discussion and consultations.

Example 2:

In the RCEP, there is a provision for “Technical Consultations on Non-Tariff Measures”. A RCEP member (Country A) can request for technical consultation with another member (Country B) which has introduced a measure which is considered an NTB. For example, when a RCEP member introduces a new energy efficiency standard.

The requested Member (Country B) must respond to the requesting Party and enter technical consultations within 60 days of the receipt of the written request with a view to reaching a mutually satisfactory solution within 180 days of the request. If all attempts fail, the affected member country can resort to a dispute settlement mechanism.



For the ASEAN region, there is a platform called ASEAN Solutions for Investments, Services and Trade (ASSIST) which can be utilised by businesses in the region when they experience trade problems. Businesses can lodge complaints using ASSIST and the country imposing the NTB is required to respond to the complaint.

[NTMs](#) or NTBs will continue to pose problems as governments around the world continue to find ways to address them with a view to promoting free and unimpeded trade. Some FTAs, such as the CPTPP, have set up a regulatory coherence chapter to find solutions to the different regulations that can impede trade. Feedback from business will alert CPTPP parties to such differences that have to be addressed so as to facilitate trade in the product in question amongst CPTPP parties.



2.5 Technical Barriers to Trade (TBTs)

TBT is a type of non-tariff measure adopted by governments to fulfil legitimate macro-policy objectives.

TBTs can be found in requirements or regulations that stipulate standards or conformity assessment procedures. Examples of TBTs may include electrical safety standards for appliances, energy efficient standards, labelling requirements test procedures, assessment certifications, labelling requirements, safety, or quality management standards. Other products that may face stringent health-related regulatory controls which include cosmetics, pharmaceuticals and food and beverages.

Having timely and accurate information on TBTs and knowing how to comply with them could potentially make exporting goods to another country more effective. However, businesses may at times face difficulties in exporting to some economies when they do not understand the TBT requirements or are unable to meet the different TBT requirements. Transparency provisions in the FTAs try to mitigate this lack of awareness and understanding and provisions on Mutual Recognition Agreements (MRAs) can reduce the procedural obstacles caused by TBT such as duplicate product safety testing.

In the following section, we will look into the specifics of (i) Standards and Technical Regulations, (ii) Conformity Assessment Procedures, and (iii) MRAs to help businesses understand them better.

Standards and Technical Regulations

Technical regulations and standards set out specific characteristics of a product such as its size, shape, design, functions and performance or the way it is labelled or packaged before it is put on sale.

The difference between a standard and a technical regulation lies in compliance, whereby standards are voluntary whilst technical regulations are mandatory by nature (WTO, 2021).

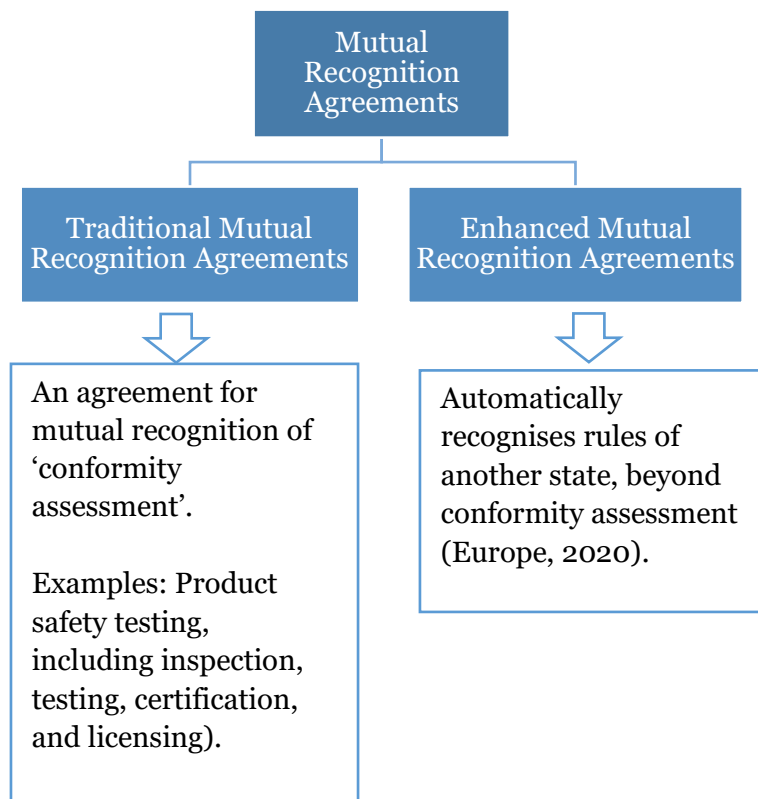
Conformity Assessment Procedures

Conformity assessment procedures are technical procedures such as testing, verification, inspection, and certification. These are used to determine that products exported fulfil the requirements laid down in regulations and standards.

MRAs

MRAs are multilateral or bilateral agreements aimed at promoting recognition of reports or certification. They facilitate market access by eliminating the need for duplicative conformity assessment procedures and encourage harmonisation or alignment of compliance standards. MRAs promote trade by making it easier and less costly for businesses to enter a partner country's market.





Examples of how CPTPP sectoral annexes facilitate trade in these specific products

Generally, exporters are faced with regulatory or unnecessary technical barriers that restrict the export of certain products. To address the concerns of the exporter, the [CPTPP TBT](#) chapter includes seven (7) sectoral annexes, namely, wine and distilled spirits, information and communications technology products, pharmaceuticals, cosmetics, medical devices, proprietary formulas for pre-packaged foods and food additives, and organic agricultural products. These sector-specific obligations are aimed at eliminating unnecessary technical barriers, enhancing transparency and promoting good regulatory approaches and practices.

For example, the medical, pharmaceutical and cosmetics annexes address issues such as marketing authorisation requirements, labelling, production processes, product identity requirements, product quality and performance requirements. Among the general obligations under these sectoral annexes for members include:

- Collaborate through relevant international initiatives, such as those aimed at harmonisation, as well as regional initiatives that support those international initiatives, as appropriate, to improve the alignment of their respective regulations and regulatory activities for medical, pharmaceutical and cosmetics products.
- Take reasonable measures to prevent overlap or eliminate unnecessary duplication where more than one agency is authorised to regulate these products in a CPTPP member country.
- Administer any marketing authorisation process that it maintains in a timely, reasonable, objective, transparent and impartial manner.
- Prior approval in the country of manufacture shall not be imposed as a pre-condition for marketing authorisation in other CPTPP members' market.
- Submission of marketing information, including with respect to prices or cost, will not be required as a condition for the product receiving marketing authorisation.

Apart from the general obligations, it is also important to note of specific obligations that may apply only to medical and pharmaceutical products.

For example, if a CPTPP member requires periodic re-authorisation for a medical or pharmaceutical product that has previously received marketing authorisation from another CPTPP member country, the member country is required to allow the product to remain on its market under the conditions of the previous marketing authorisation. This is pending a decision on the periodic reauthorisation, unless the member country identifies a significant health or safety concern.

In the case of cosmetics products, for example, it states that a certificate of free sale is not required as a condition of marketing, distribution or sale in the other CPTPP member countries. Members also agree to endeavour to avoid re-testing or re-evaluating cosmetic products that differ only with respect to shade extensions or fragrance variants, unless for reasons for health or safety purposes.



Through these sectoral annexes and other trade facilitative measures under the TBT chapter, CPTPP members do not only aim to reduce business transaction costs for businesses, especially small and medium businesses, but importantly, reduce the time taken to market the products across the CPTPP countries.



For more information on TBT related issues, please contact
PPD_Enquiry@enterprisesg.gov.sg

In summary, it is important to stay abreast of TBTs to ensure that your product(s) meet in-market requirements. Some tips to manage TBTs include:

- Keep yourself updated on the TBT requirements for your product(s) when exporting to a particular country via the free WTO ePing Notification Service (<https://eping.wto.org>); and
- Constantly check if Singapore has an FTA with that trading country, as FTAs could have Chapters with provisions that ensure standards, technical regulations and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade (WTO, Technical barriers to trade, 2021); and
- Surface your TBT-related enquiries to PPD_Enquiry@enterprisesg.gov.sg, and Enterprise Singapore will assist to clarify these queries with the relevant TBT Enquiry Points in-market.



2.6 Sanitary and Phytosanitary Measures (SPS)

SPS Measures

Sanitary (human and animal health) and phytosanitary (plant health) measures are important in ensuring food safety, animal, and plant health standards. It also protects lives from pests and diseases that may be brought in by any imported agricultural, food, drink, and feedstuff.

SPS are procedures that governments apply in the form of laws, regulations, and requirements to prevent entry or spread of plant-borne pests or diseases into the importing country, including:

- Human or animal health: Risks arising from additives, contaminants, toxins, or disease organisms in food, drink, and feedstuff
- Human life: Plant- or animal-carried diseases
- Animal or plant life: Pests, diseases, disease-causing organisms
- Territory of Member: Other damage caused by entry, establishment or spread of pests

SPS measures can be in different forms such as inspection, having products that come from a disease-free area and requesting for specific treatments.

Certain FTAs have SPS chapters that may include the following provisions to expedite and facilitate meeting SPS measures of their FTA partners. For example:

- Improve the implementation of the SPS Agreement in order to avoid unnecessary barriers with a view to expanding further trade among FTA partners while protecting human, animal or plant life or health or fulfilling other legitimate SPS objectives;
- Ensure it is not misused for protectionist purposes and will not result in unnecessary barriers to international trade;
- Improve and strengthen mutual understanding across FTA members' administrative systems by establishing a framework for communication and cooperation;
- Provide timely responses (for example, CPTPP and RCEP); and
- Resolve relevant SPS that may arise in a prompt and efficient manner.

Under each FTA, the relevant parties are required to ensure SPS is based on scientific evidence and consistent with international standards, guidelines, and recommendations (Codex Alimentarius collection of food standards (CODEX) for food, the International Plant Protection Convention (IPPC) for plant health and the World Organisation for Animal Health (OIE) for animal health).

SPS measures in FTAs do not go beyond international standards. Overall, the SPS chapter provides for greater transparency, reduces possible arbitrariness of decisions and aims to encourage consistent decision-making.



Chapter 3: Getting Started



Example of [PCO](#) forms:

- (i) Form D under AFTA/ ATIGA

ANNEX 7

Original (Duplicate/Triplicate)

1. Goods consigned from (Exporter's business name, address, country)			Reference No. ASEAN TRADE IN GOODS AGREEMENT/ ASEAN INDUSTRIAL COOPERATION SCHEME CERTIFICATE OF ORIGIN (Combined Declaration and Certificate) FORM D Issued in _____ (Country) See Overleaf Notes		
2. Goods consigned to (Consignee's name, address, country)					
3. Means of transport and route (as far as known) Departure date Vessel's name/Aircraft etc. Port of Discharge			4. For Official Use <input type="checkbox"/> Preferential Treatment Given Under ASEAN Trade in Goods Agreement <input type="checkbox"/> Preferential Treatment Given Under ASEAN Industrial Cooperation Scheme <input type="checkbox"/> Preferential Treatment Not Given (Please state reason/s) Signature of Authorised Signatory of the Importing Country		
5. Item number	6. Marks and numbers on packages	7. Number and type of packages, description of goods (including quantity where appropriate and HS number of the importing country)	8. Origin criterion (see Overleaf Notes)	9. Gross weight or other quantity and value (FOB) where RVC is applied	10. Number and date of invoices
11. Declaration by the exporter The undersigned hereby declares that the above details and statement are correct; that all the goods were produced in (Country) and that they comply with the origin requirements specified for these goods in the ASEAN Trade in Goods Agreement for the goods exported to (Importing Country) Place and date, signature of authorised signatory			12. Certification It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct. Place and date, signature and stamp of certifying authority		
13 <input type="checkbox"/> Third Country Invoicing <input type="checkbox"/> Exhibition <input type="checkbox"/> Accumulation <input type="checkbox"/> De Minimis <input type="checkbox"/> Back-to-Back CO <input type="checkbox"/> Issued Retroactively <input type="checkbox"/> Partial Cumulation					

(ii) Form RCEP under RCEP

1. Goods Consigned from (Exporter's name, address and country)				Certificate No. _____				Form RCEP			
2. Goods Consigned to (Importer's/ Consignee's name, address, country)				REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT CERTIFICATE OF ORIGIN Issued in (Country)							
3. Producer's name, address and country (if known)											
4. Means of transport and route (if known) Departure Date: Vessel's name/Aircraft flight number, etc.: Port of Discharge:											
5. For Official Use Preferential Treatment: <input type="checkbox"/> Given <input type="checkbox"/> Not Given (Please state reason/s) Signature of Authorised Signatory of the Customs Authority of the Importing Country											
6. Item number	7. Marks and numbers on packages	8. Number and kind of packages; and description of goods.	9. HS Code of the goods (6 digit-level)	10. Origin Conferring Criterion	11. RCEP Country of Origin	12. Quantity (Gross weight or other measurement), and value (FOB) where RVC is applied	13. Invoice number(s) and date of invoice(s)				
14. Remarks											
15. Declaration by the exporter or producer The undersigned hereby declares that the above details and statements are correct and that the goods covered in this Certificate comply with the requirements specified for these goods in the Regional Comprehensive Economic Partnership Agreement. These goods are exported to: (importing country) Place and date, and signature of authorised signatory						16. Certification On the basis of control carried out, it is hereby certified that the information herein is correct and that the goods described comply with the origin requirements specified in the Regional Comprehensive Economic Partnership Agreement. Place and date, signature and seal or stamp of Issuing Body					
17. <input type="checkbox"/> Back-to-back Certificate of Origin <input type="checkbox"/> Third-party invoicing <input type="checkbox"/> ISSUED RETROACTIVELY											

Chapter 4: Case Studies

Here are some case studies that illustrate the different avenues available to leverage FTAs.

CASE STUDY 1

Change in Tariff Classification (CTC) Rule under [CPTPP](#)

[Change in Chapter \(CC\)](#) at 2-digit level



Guitars (musical instrument) (HS9201) made in Singapore and to be exported to Peru.

Materials used to produce the final product:

- Fretboard (HS9202) imported from Japan (originating);
- Strings (HS9209) imported from Vietnam (originating); and
- Tuning machines (HS9031) imported from Italy (non-originating).



For HS9201 is 'A *change to a good subheading 9201.20 from any other Chapter (CC)*'.



The CTC rule requires that all non-originating materials used in this production **must be** classified other than Chapter 92.



The non-originating material (HS 90) imported from Italy (non-CPTPP member) undergoes substantial transformation, whereby the raw material is transformed into the final product under HS92.

This final product qualifies as there is a CTC between the raw material and the finished product.

CASE STUDY 2

CTH Rule under ACFTA

CTH at 4-digit level



Hallway Cabinets (HS9403.60) made in Singapore and to be exported to Vietnam.

Materials used to produce the final product:

- Timber (HS4412.94) imported from Malaysia which is considered originating as Malaysia is a party to ACFTA;
- Soft drawer slides (HS8302.42) imported from South Korea; and
- Glass doors (HS3209.90) imported from Japan.



For HS9403.60 is 'RVC 40% or CTH'.



The CTC rule requires that all non-originating materials used **must undergo** sufficient processing at **first four-digit level** and be classified other than Chapter 9403.



The non-originating materials imported from South Korea (HS8302.42) and Japan (HS3209.90) undergoes substantial transformation at the first four-digit level to HS9403.

This final product meets the Rules of Origin of ACFTA.

CASE STUDY 3

CTSH Rule under PeSFTA**CTSH at 6-digit level**

Seats for aircrafts (HS9401.10) are made by Company A in Singapore and to be exported to Peru.

Materials used to produce this product:

- Foam rubber cushions (HS4001.10) imported from Indonesia; and
- Zinc moldings (HS7901.20) from Malaysia.



For HS9401.10 is 'A change to subheading 9401.10 from any other subheading; or no change in tariff classification is required, provided that there is a qualifying value content of not less than 40%.'



If the company chooses to declare under CTC rule, it requires that all non-originating materials used must undergo sufficient processing **at first six-digit level** and be classified other than HS9401.10.



The non-originating materials sourced from Indonesia (HS4001.10) and Malaysia (HS7901.20) undergoes substantial transformation to HS9401.10.

The product qualifies for preferential treatment as the raw materials have been transformed to the finished product under HS9401.10.

CASE STUDY 4

RVC Rule under ATIGA**RVC of not less than 40%**

Prepared baking powder (HS2102.30) made in Singapore and to be exported to Thailand.

The total value of originating materials (\$280.00) + direct labour cost (\$20) + direct overhead cost (\$30) + other costs (\$30) + profits (\$40) is \$400.00 (i.e. originating materials refer to baking soda, cream of tartar and cornstarch) while the FOB price of this good is \$500.00.



For HS2102.30 is 'A regional value content of not less than 40%'; or 'A change to subheading 2102.30 from any other chapter'.



If the company chooses to declare under RVC rule, the final product must qualify **beyond RVC 40% rule.**



Using the direct method which consist of originating material cost, direct transport, overhead cost, other costs and profit, therefore, the RVC of the good stands at 80%.

$$\begin{aligned}
 \text{RVC} &= \frac{\text{Originating materials cost} + \text{Direct labour cost} + \text{Direct Overhead Cost} + \text{Other costs} + \text{Profits}}{\text{FOB Price}} \times 100 \\
 &= \frac{280 + 20 + 30 + 30 + 40}{500} \times 100 \\
 &= 80\%
 \end{aligned}$$

CASE STUDY 5

De Minimis Provisions for Textile Goods under the AANZFTA

De-Minimis Value



Specially-woven fabrics (HS5804.10) is produced by Company A in Singapore. The final goods will be exported to Australia.

Materials for these products are sourced from Indonesia (HS 5804.30) and India (HS 5806.40).



‘Change in Chapter’ (CC).



The final product does not qualify for preferential treatment under this agreement there was no CC in the final product from its non-originating raw materials.

Nevertheless, the agreement allows for De Minimis provision, which is as follows:

“for a good provided for in Chapters 50 to 63 of the HS Code, the weight of all non-originating materials used in its production that did not undergo the required change in tariff classification does not exceed 10 per cent of the total weight of the good, or the value of all non-originating materials used in the production of the good that did not undergo the required change in tariff classification does not exceed 10 per cent of the FOB value of the good”



If the value of the non-originating materials is equivalent or less than 10%, that product will comply with the Rules of Origin requirement and benefit from preferential treatment of this agreement.



Chapter 5: Frequently Asked Questions



Q1 What is a Free Trade Agreement?

A Free Trade Agreement or FTA is an agreement that aims to reduce border and behind-the-border barriers to trade and investments.

It is an agreement between two countries or a group of countries, all of which agree to undertake certain obligations to reduce or eliminate import duties, remove import restrictions such as import licencing requirements, quotas or other forms of import barriers that may be maintained by a country.

The main objective is to reduce barriers for Singapore's exports and create market opportunities for businesses to sell their products competitively in FTA-partner countries.

Q2 What are the other areas typically covered in a Free Trade Agreement?

FTAs are not just limited towards reducing barriers to imports.

It covers reduction and elimination of restrictions on investment, trade in services, sanitary and phytosanitary, technical barriers to trade, customs procedures and trade facilitation. Other areas include competition and consumer policy, intellectual property, government procurement, sustainable development and regulatory coherence. FTA partners undertake obligations in these areas which aim to further facilitate Singapore's trade and investments in FTA partner countries.

The newer agreements are now getting even more comprehensive.

For example, the CPTPP covers 30 chapters including trade rules and disciplines on chapters on goods, services, financial services, telecommunications, investments, competition policy, intellectual property, government procurement, state-owned enterprises, temporary movement for business persons, electronic commerce, labour, environment, competitiveness and business facilitation, small and medium enterprises, regulatory coherence, transparency and anti-corruption, dispute settlement and cooperation and capacity building.

Q3 How many FTAs is Singapore a Party to?

As at 1 January 2022, Singapore is a party to 28 bilateral and regional FTAs and EPAs covering 65 countries.



Q4 Is it important to gain deeper insights into the working of the different FTAs?

It is important for businesses to fully understand FTAs as they have numerous benefits that impact them positively, ranging from removal of import duties, barriers to trade and protects investments.

However, these benefits can only be enjoyed through compliance to procedures outlined in the FTAs. It is not automatically given to businesses.

Q5 What are the benefits that Singapore businesses can enjoy by leveraging FTAs?

The benefits of FTAs are as follows:

- **Enhances Competitiveness**
Selling goods to the FTA partner countries duty free (zero import duty) or with reduced import duties will make Singapore exports more competitive as compared to imports from a non-FTA partner country which may have to pay import duty. The reduced import duties allow businesses to price these products from Singapore within a similar range as those produced locally, making it cost competitive.

For example, Country A which has an FTA with Singapore imports electrical items from Singapore. The importer is not required to pay any import duty as it is duty free (zero import duty) under the FTA. However, if the importer imports from Country C which a non-FTA party the importer will be required to pay an import duty of 10%. The Singapore exporter has an advantage compared to the exporter from Country C.
- **Increases Opportunities**
Removal of restrictions on trade in services and investments could also open opportunities for Singapore service suppliers to own majority equity ownership or 100% equity ownership or even deliver the service from Singapore, without having the need to have commercial presence in the FTA partner country, subject to the obligations and commitments agreed under the FTA.
- **Promotes Greater Transparency**
The [SPS](#) and [TBT](#) chapters provide clarity and greater certainty for Singapore businesses to comply with the required regulations as it promotes transparency.
- **Enhances Trade Facilitation**
Customs procedures and trade facilitation also provides for greater facilitation in exports from Singapore to FTA partners. For example, in some FTAs the chapter provides for clearance of goods within four (4) hours on arrival in the partner country or in Singapore. There are also other provisions such as pre-arrival clearance, express shipment and others that reduces unnecessary delays at clearance of goods.



- **Gain wider market access**
Singapore businesses gain added advantage in participating in government procurement market of FTA partners.
- **Safeguards Singaporean Businesses**
Allows the protection of investments from unjust expropriation or from measures adopted that may erode the advantage Singapore investor had at the time of investments. FTAs provide for dispute resolution, compensation fair treatment for Singapore investments where Singapore investors have the same access to the same treatment as local investors for investments covered under the FTA, in FTA partner countries.

Generally, FTAs confer additional advantages for Singapore businesses.

Q6 What is the difference between bilateral and regional FTAs?

Bilateral FTAs involve only two countries while regional involves more than two countries.

Q7 Why does Singapore have a bilateral FTA with a country when the FTA partner country is also a member of another regional FTA?

Singapore has signed bilateral FTAs with several countries that are also members of regional FTAs to which Singapore is a party.

For example, Singapore is a member of ACFTA and also has a bilateral FTA with China. It is important to note that Singapore has negotiated for better treatments under bilateral FTAs, in terms of import duties and flexible Rules of Origin.

In bilateral FTAs, Singapore has negotiated for better market access terms compared to what may be offered under the regional FTA. For example, under CSFTA Singapore exporters enjoy better market access conditions.

- With [EODES](#), companies will no longer need to submit the Certificate of Origin in hardcopy to China from November 2019.
- Improvements in Rules of Origin allow more petrochemical exports from Singapore to qualify for preferential treatment.



Q8 What are the conditions in FTAs that ensures Singapore businesses' eligibility for reduced import duty or zero import duty access?

One of the main conditions imposed in FTAs is the need to comply with the Rules of Origin. This is to ensure the product exported has been sufficiently worked or processed in Singapore or has at least certain local or regional value content.

The Rules of Origin varies from one country to another. Hence it is important that exporters check on the applicable Rules of Origin in www.fta.gov.sg.

In some FTAs, Singapore has negotiated special market access for Asian food exported from Singapore or some specific products of significance to Singapore's exports.

Q9 What is preferential Rules of Origin?

Preferential Rules of Origin is related to trade agreements that grant members access to domestic markets at preferential import duties or tariffs.

There are two main types of Rules of Origin – wholly-obtained or products that undergo substantial transformation.

Wholly Obtained refers to goods that are wholly obtained entirely in the territory of an FTA party without the addition of any non-originating materials. Substantial transformation is a type of Rules of Origin that requires a good to undergo a certain process in order to be considered originating in a given country.

Details of the calculation of Rules of Origin is provided in Chapter 2 (please refer to page 28).

Q10 What is meant by cumulation?

Cumulation is an integral part of Rules of Origin and it is used to determine the origins of goods/products. There are several types of cumulation. It can be bilateral, regional, third-party or full cumulation for the purpose of considering originating status.

Please refer to Chapter 2 (page 42) for more details.



Q11 What are the documents required to show that the product exported meets the Rules of Origin?

Singapore exporters will need to show proof of origin and compliance to the applicable Rules of Origin. There are two methods of showing proof of origin.

1. Self-certification by the manufacturer or producer or exporter certifying in the invoice or other related export document that the product for which preferential treatment is claimed meets the applicable Rules of Origin.

FTAs that are subject to self-certification by manufacturer or producer or exporter are ANZSCEP, CPTPP, EUSFTA, SCRFTA, PSFTA, SAFTA, TPSEP and UKSFTA. In the case of USSFTA, the self-certification declaration is done by the importer.

2. Formal endorsement of the required FTA preferential form from the Singapore Customs. FTAs where the preferential export document that will need to be endorsed by Singapore Customs are as follows:

- [ACFTA](#)
- [AHKFTA](#)
- [AIFTA](#)
- [AJCEP](#)
- [AKFTA](#)
- [SJFTA](#)
- [CECA](#)
- [CSFTA](#)
- [KSFTA](#)
- [JSEPA](#)
- [PeSFTA](#)
- [Gulf Cooperation Council-Singapore FTA \(GSFTA\)](#)
- [RCEP](#)

Q12 Is there a criterion where exports below a certain threshold do not require the submission of proof of claim declaration?

Goods below a certain value which is generally below S\$1,000 or less are exempted from the proof of claim declaration or goods with no commercial value. For example, under the EUSFTA's Protocol 1 concerning origin of goods, submission of proof of claims is not required if the total value of these products do not exceed 500 Euro (€500) in the case of small packages or 1200 Euro (€1200) in the case of products forming part of travellers' personal luggage.

Similar exemptions are provided in other FTAs. Under the CPTPP's provision, certificate of origin is not required for goods with a customs value which does not exceed S\$1,000. The threshold differs across FTAs, thus exporters need to check the criteria under the specific FTA



e.g. the threshold under CSFTA is not exceeding US\$500, which is approximately less than \$900.

Q13 What are the steps that a business needs to take to enjoy reduced import duty or gain zero import duty?

- Determine the FTA partner country or group of countries you are planning to export;
- Determine the HS/[AHTN code](#) of the product (s) that you want to export;
- Determine if your product is included in the FTA;
- Determine if you can export the products under more than one FTA (bilateral, regional or plurilateral FTA);
- Determine if your product is subject to any other conditions or requirements under the FTA or FTAs;
- Determine which FTA provides the best advantage to you in terms Rules of Origin and import duty; and
- Determine the documents that you will need to comply (documentary requirements).

Q14 Do different products require different Rules of Origin requirements? Where can businesses to obtain this information about their products?

The Rules of Origin may differ from product/good to product and from one FTA to another. Businesses are encouraged to obtain the details from the individual FTAs at www.fta.gov.sg.

Q15 What should businesses do if their product is subject to [NTBs](#)?

It is a general practice that all non-tariff barriers must be eliminated. However, this may change if they are provided for in the agreement or applied only on products that are excluded from preferential treatment. Sometimes governments may issue new regulations which may be a non-tariff barrier. In such cases, businesses could highlight to [SBF FTA Team](#) or the [Enterprise Singapore](#).

Q16 Can a country maintain import license for goods under FTA?

Generally, it is preferred that import licensing or other forms of import controls are eliminated.

However, under FTA, countries are still permitted to maintain import licensing requirements provided it is issued in a non-discriminatory manner and without delay and that the import licensing requirement is merely for collection of statistics, or a reservation taken in the FTA.

Q17 What is the difference between Most-Favoured Nation (MFN rate) and FTA preferential rate?

MFN tariff is a normal non-discriminatory import duty or tariff imposed on imports from all countries. Generally, MFN rates is the highest rate imposed on imports. It excludes preferential import duty or tariffs applied on imports from Singapore's FTA partners.



It is important to note that some MFN rates are also 0% and, in such cases, exporters do not need to use the FTA.

Q18 Why are Sectoral Annexes important?

Singapore has negotiated Sectoral Annexes for specific products such as pharmaceuticals, medical devices, horticulture, wines and spirits, motor vehicles and telecommunications.

Sectoral annexes provide for the establishment of common regulatory approaches for products through elimination of unnecessary technical barriers or unnecessary duplication where more than one agency is authorised to regulate a product, enhancing transparency in rules and regulation with the aim of facilitating imports and avoid unnecessary delays in the marketing of goods or clearance of goods.

Q19 Can the FTA partner reject claims for preferential treatment?

The FTA partner country can reject the claim for preferential treatment under two conditions:

- i. The country has sufficient information that the product for which preferential treatment is claimed does not meet the Rules of Origin;
- ii. The product imported did not originate from Singapore.

Q20 Can businesses claim for preferential treatment retroactively?

Post-importation claim is allowed in some of the FTAs subject to certain conditions. It is not automatic, and businesses will need to look at the specific provisions on post-importation claims or claims made retroactively.

Q21 What happens if businesses make fraudulent claims?

Under Singapore's Regulation of Imports and Exports Regulations, penalties will be imposed on businesses that make false declaration(s).

A company director in Singapore was previously fined for submitting false statements and declarations in applications for back-to-back certificates of origin and import and export permits.

Q22 Are there periodic reviews of FTAs?

FTA agreements provide for periodic reviews of the agreements. Generally, the first review is done three (3) or five (5) years after the FTA agreement has been enforced; or the availability of provisions which states that a review could take place through mutual agreement of FTA parties.



Q23 Are FTAs allowed under WTO?

There are provisions in WTO agreements that allow members to negotiate free trade agreements and therefore FTAs are permitted.

Q24 Can FTA partners maintain export tax?

Export taxes are permitted to be maintained unless specifically negotiated and prohibited under the FTA.

For example, some CPTPP members have negotiated to retain export tax for a limited number of products subject to future review. In some other cases, the FTA agreement specifically prohibits FTA partners from maintaining export tax.

Q25 Who should the businesses contact if there is a problem or further advice is required?

Chapter 6: Resources

Useful information

The legal text of Singapore FTAs can be found at the Enterprise Singapore [website](#).

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For customs-related enquiries, contact **Singapore Customs** at



<https://www.customs.gov.sg/feedback>



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Glossary



► ASEAN Harmonised Tariff Nomenclature (AHTN)

An eight-digit tariff classification system used by all ASEAN member countries to facilitate intra-ASEAN trade

► Bilateral FTAs

The agreements between two countries

► Certificate of Origin

A document to prove to the importing country's Custom authority the following criteria:

- (i) the goods imported are originate from the FTA partner country;
- (ii) goods meet the requirements of Rules of Origin; and
- (iii) goods are eligible for preferential import duty under the FTA.

► Change in Chapter

All non-originating materials used in the production of goods have undergone a change in tariff classification at the **two (2)-digit** level of HS Code.

► Change in Tariff Heading

All non-originating materials used in the production of goods have undergone a change in tariff classification at the **four (4)-digit** level of HS Code.

► Change in Tariff Sub-Heading

All non-originating materials used in the production of goods have undergone a change in tariff classification at the **six (6)-digit** level of HS Code.

► Customs Procedures and Trade Facilitation

The measures applied by the customs authority of each party to ensure predictability, consistency and transparency in the application of customs laws and regulations of the parties in clearance of imported goods.

► Declaration of Origin

A process of stating the origin of goods on an invoice to indicate where the goods are manufactured.

► Embargo

A complete ban on imports from a certain country

► Free-on-board

FOB indicates whether the buyer or the seller is liable for goods that are lost, damaged, or destroyed during shipment. The seller loads the goods onto the ship and the buyer then takes care of the import formalities and transportation to the final destination.



► **Free Trade Agreements**

A legally binding international treaty between two or more countries that reduces or eliminates certain barriers to trade in goods and services, as well as investment and other areas mutually agreed in the FTAs

► **Generalised System of Preferences**

A preferential tariff system which provides tariff reduction on various products.

► **Harmonised Commodity Description and Coding System (HS Code)**

An international standardised system developed to classify goods or products traded based on the raw materials used in production and related production processes.

► **Liberalisation**

The removal or reduction of restrictions or barriers on the free exchange of goods between countries.

► **Most-favoured-nation**

The principle of not discriminating between one's trading partners in the granting of any privileges consistent with the obligations under the WTO

► **Multilateral FTAs**

The multi-national agreement between countries.

► **Mutual Recognition Arrangements**

Agreements aiming to develop a global network of conformity assessment bodies.

► **Non-preferential Rules of Origin**

Serves as a proof of origin and imports of goods do not qualify for preferential duty-free or reduced duty concessions.

► **Non-Tariff Barriers**

Laws, rules and regulations, standards, and testing and certification procedures, which make trade more difficult.

► **Non-Tariff Measures**

NTMs are wide-ranging, covering measures in terms of purpose, legal form, and economic effect.

► **Preferential Certificate of Origin**

A type of certificate of origin given towards goods that are subject to preferential tariff treatment in the payment of duties.

► **Preferential Rules of Origin**

The criteria used to determine the national source of goods, whether the traded goods are qualified for zero import duty or preferential import duty if the ROOs are met under the FTA.



► **Preferential Tariff**

The products exported from Singapore will pay lower import duty or are not required to pay an import duty subject to certain conditions

► **Product Specific Rules**

PSR must be met for every product traded to show the product originates in the free trade area and qualifies for preferential tariff treatment.

► **Quota**

A limitation placed on the number of imports

► **Regional FTAs**

The agreements between two or more countries from the same region

► **Regional Value Content**

RVC determines the originating status of a product based on a certain percentage of originating content.

► **Rules of Origin**

The laws, regulations and administrative procedures which determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules can vary from country to country.

► **Sanitary and Phytosanitary Measures**

Procedures that governments apply in the form of laws, regulations and requirements to prevent entry or spread of plant-borne pests or diseases into the importing country.

► **Substantial Transformation**

Looks at the degree of processing of the non-originating materials in the final export country.

► **Tariff barriers**

Taxes on certain imports.

► **Technical Barriers to Trade**

Any regulation, standard or procedure that could make exporting goods to another country more difficult, time-consuming, or costly.

► **Wholly Obtained**

Goods that are wholly obtained entirely in the territory of an FTA party without the addition of any non-originating materials.



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