

HOW SINGAPORE BENEFITED FROM THE FTA WITH THE US

1 The Singapore-US FTA entered into force on 1 January 2004. The USSFTA was Singapore's fifth FTA, after those with New Zealand, Japan, Australia and EFTA. It was the US' first FTA with an Asian country. Apart from strengthening Singapore's strategic relationship with the US, the FTA has benefited Singapore in the following areas.

2 The bilateral FTA has increased two-way trade. Last year, bilateral trade grew 19%, the second highest rate of growth among US major trading partners. Singapore's manufacturers and exporters have gained a competitive edge through tariff savings and from a harmonization of customs rules and procedures. Singapore's export to the US has grown by 28% over the last 3 years. A number of SMEs have benefited from the USSFTA. One example is Dou Yee Enterprises which manufactures electronics packaging. As a result of the USSFTA, US importers saved 3% on import duties previously imposed on such electronic packaging. Another example is Rayco Technologies which manufactures customized precision elastomer (a material with the elastic properties of natural rubber) which is used in the Automotive and Aerospace, Data and Mobile Storage, Medical and Electronics industries. US importers were spared the 0.21% Merchandise Processing Fee as a result of the USSFTA.

3 By creating greater predictability and more opportunities, the USSFTA has led to an increase in the FDI from the US, especially in the knowledge-intensive and creative industries, such as, pharmaceuticals, software, film and gaming. US FDI in Singapore grew by 10.5%, from S\$37.59 billion at end 2003 to \$41.5 billion at end 2005. Singapore was the second biggest recipient of US FDI in Asia in 2005. A major investment was Motorola's 3G R&D centre established in 2004. Motorola's Singapore facility is its first worldwide to have a full value-chain of activities in a single location on the 3G front. Motorola currently manufactures 60 per cent of the company's global 3G phones for markets in Southeast Asia, Australia, New Zealand, Taiwan, Europe and the US. Another example is Reed HyCalog's (a division of Grant Prideco, a leading oilfield equipment manufacturer) S\$22 million investment in its manufacturing operations of the next generation Roller Cone Drill bits in Singapore, such that Singapore now accounts for 80% of Reed Hycalog's global drill bit manufacturing capacity. This move was encouraged by the tariff saving from the immediate elimination of 5% duty for drill bits under the USSFTA (coupled with lower production costs in Singapore). While some of these investments were motivated by the US market, others came to take advantage of our FTA access to other countries. A US company based in Utah, Huntsman has invested US\$35 million in Singapore on its first manufacturing facility to produce polyetheramine (used in fuel and lubricant additives, herbicides and pesticides) aimed at the Asia-Pacific, including Australia.

4 In the financial services area, the USSFTA has helped improve Singapore's banking system and brought direct benefits to consumers and the economy. Under the USSFTA, US banks which subsidiarise in Singapore were given full access to Singapore's domestic banking market. Since then, one US bank has made use of this and introduced into the Singapore market a broader suite of products for customers, raised service standards, and provided more choice and convenience to banking customers, including SMEs. The US bank has also increased the scope of financial activities it conducts in Singapore and created more jobs. The increased competition has spurred the 3 Singapore banks to improve their capabilities, service standards and expand into new activities and new international markets. The Singapore banks have maintained their strong presence in the Singapore domestic market, but are now more competitive and internationally diversified. The result of competition arising from the USSFTA has been positive for the banking sector, consumers and the economy. In legal services, law degrees from Harvard, Columbia, University of Michigan and University of New York are now recognised for admission to the Singapore bar. This has given Singaporean students a wider choice of universities to study law, as well as allowed Singapore-based firms to recruit talent from a broader catchment. At the same time, Singapore companies enjoy guaranteed access to the US market in several service sectors, such as telecommunications. The USSFTA has also eased travel by Singapore's investors and employees of Singapore's companies to the US and to stay in the US for extended periods.

6 The USSFTA has speeded up policy reforms in Singapore, in areas such as competition policy and IPR. Singapore's IPR regime was strengthened considerably with legislative changes to enhance copyright protection for new technologies and enforcement obligations. As a result, a number of US companies have relocated to Singapore. They include the Microsoft Innovation Centre in Singapore, Lucasfilm Animation's studio and production house (the first outside the US) and Pfizer's US\$348 million multi-purpose active pharmaceutical ingredient manufacturing facility. The USSFTA has increased business confidence in Singapore and contributed to its growth as a regional economic hub.

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