

Unlocking Potential of the Food Manufacturing Sector through Singapore's FTA





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OVERVIEW

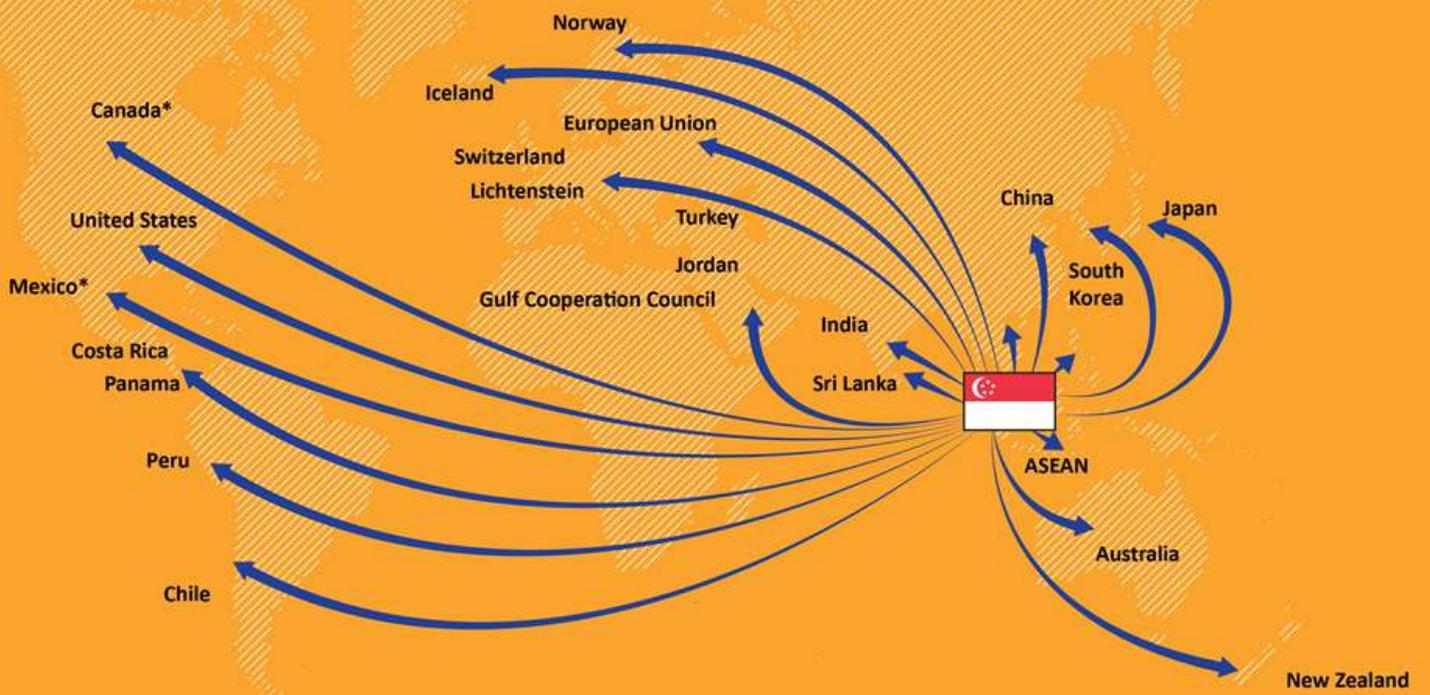
Singapore's food manufacturing sector is a vibrant industry which has already contributed more than \$4.3 billion (1.1%) to the country's economy. Much of Singapore's food manufacturing industry output is exported with plans to derive 30 percent of domestic nutrition needs from locally produced food by 2030 and to support Singapore firms located overseas that export food products back home.

Although Singapore's abilities to grow agricultural products for export is limited by its small geographic size, Singapore is well-known for the abundant and plentiful selection of cuisines with local roots and unique Southeast Asian flavours. New or increased opportunities for export are likely to arise as tourists and visitors seek Singapore cuisines to be consumed back in their home countries whether as ready-to-consume meals, chilled or frozen food or condiments and seasonings to prepare food.

Food manufacturers based in Singapore can leverage Singapore's extensive free trade agreement (FTA) network to enhance their competitive pricing strategies as well as find opportunities to further support export growth. Singapore's network of more than 25 bilateral and regional FTAs provide food manufacturing companies in Singapore with increased market access opportunities into some of the largest and most lucrative consumer markets in the world including the United States, European Union (EU), China, UK and Japan. FTAs, as noted further below, include a range of benefits that combine to give companies greater competitive advantages in key markets, especially against rival firms that do not have FTAs available.

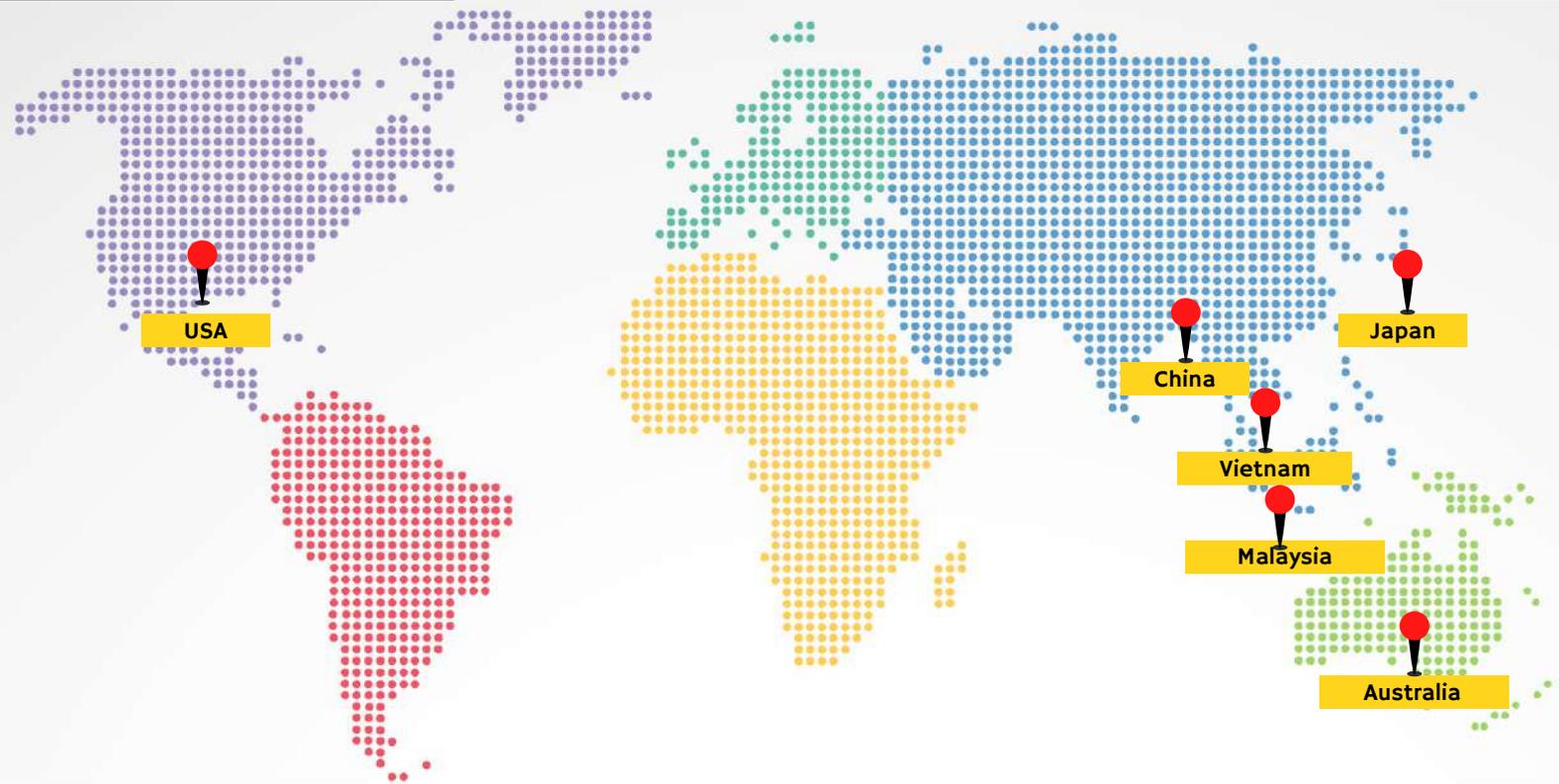
The network of FTAs is continuing to grow. One upcoming new agreements for companies to take note of include the 15 member Regional Comprehensive Economic Partnership (RCEP). RCEP is likely to come into force and be available for companies to use in January 2022.





Top Countries to which Singapore Exports Food Products (2019)

SOURCE: OEC WORLD



Singapore's FTAs with top export destinations



CSFTA
ACFTA



AFTA
ACFTA
AKFTA
AJCEP
AIFTA
AHKFTAAA
ANZFTA
*CPTPP
*RCEP



AFTA
ACFTA
AKFTA
AJCEP
AIFTA
AHKFTAAA
ANZFTA
CPTPP
*RCEP



JSEPA
AJCEP
CPTPP
*RCEP



AANZFTA
SAFTA
CPTPP
*RCEP



USSFTA

*RCEP yet to enter into force

Key Elements of Singapore's FTA



IMPROVING PRICE COMPETITIVENESS

Tariff Savings



HOW TO QUALIFY FOR TARIFF SAVINGS

Rules of Origins



THE APPLICATION PROCESS

Preferential Certificate of Origin (PCO)

COMPLIANCE WITH FOOD SAFETY REGULATIONS

Sanitary & Phytosanitary Measures



REDUCING COSTS & TIME TO MARKET

Simplified Customs Procedures



PROTECTING YOUR BRAND

Intellectual Property (IP) Protection





FTA TARIFF BENEFITS

Companies do not need to use an FTA to export or import goods. But an FTA can provide new benefits to companies. For example, so long as it is a covered product and the manufacturer can meet the origin criteria for the covered product, an FTA removes the customs duties or tariffs that must be paid when goods are imported into a country. For food products, particularly, customs duties are quite high. Firms typically pay customs duties (aka Most Favored Nation (MFN) tariff) rates of 15-40% on a wide range of agricultural products. An FTA, by contrast, can provide lower or zero preferential tariffs on qualifying products. This difference can result in a significant cost advantage leverage for companies trading pursuant to the terms of the FTA as compared to those that do not use the FTA or for firms established in countries that have no FTA relationship with their importer/buyer.

"As average applied tariff rates on food products can be quite high—within ASEAN, Indonesia's average rate is 8.7%, Philippines is 9.8%, Thailand is 29.0%, and Vietnam is 17.2%, so the ability to trade without paying these duties (or even just a fraction of these duties) can deliver a huge cost saving.."

Firms do not automatically qualify for FTA benefits. Companies must follow the rules of the specific trade agreement with the export destination country to access the benefits found in the deal. These rules are elaborated in detail under the Rules of Origin section. Benefits are FTA specific.

As Singapore has multiple FTAs, companies have to be clear about which FTA they are seeking to use, as each FTA is different. In many cases, Singapore has more than one agreement in place with a partner market. For instance, Singapore has four different FTAs in place with New Zealand and each FTA is slightly different.

Trade agreements only work between member markets. It is not possible to use an existing Singapore agreement with New Zealand, such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) to import goods to New Zealand and then use Singapore's agreement with Europe to send the same products, unchanged, to Europe under Singapore's FTA with the EU and expect these NZ goods to benefit from the preferential commitments granted to Singapore.

This is because the preferential tariff commitments granted by the EU would only apply to Singapore goods.

Companies need to do their homework and make certain that the trade arrangements they are trying to use fit the requirements of the FTA.

Each FTA provides a different range of tariff and non-tariff benefits for exporting firms and importers. Some cover mostly goods while others include additional benefits like market access for services and investment. Some include a range of additional chapters for labor rights, environmental rules, government procurement access, or rules for product standards





SECURING PRICE COMPETITIVE ADVANTAGES VIA FTA TARIFF BENEFITS

AVERAGE MOST FAVORED NATION
(MFN) RATES FOR FOOD PRODUCTS



8.7%



9.8%



29%



17.2%



14%



WITH FTA IN PLACE



**REDUCED/ ELIMINATED
CUSTOMS DUTIES**

Preferential tariffs for many products typically drop on the first day, or entry into force, for an FTA. Some tariff rates will be reduced all the way to zero (“duty free”). Tariff reductions can provide a competitive advantage for manufacturers and/or exporters that use an agreement to make their exports “cheaper” relative to their competitors that cannot access FTA benefits.

Singapore’s FTAs provide new or expanded access for Singapore-based food companies, including new markets not previously part of a trade agreement with Singapore, and the inclusion of tariff lines that were previous excluded or had previously limited tariff reductions.

As an example, prior to the launch of CPTPP in late 2018, Singaporean firms had no preferential access into markets in Canada and Mexico. All Singaporean exports to Canada and Mexico had to pay customs duties or MFN tariff rates. Now, most food products from Singapore can be exported to both markets without paying any tariffs at all, provided the mode of manufacture of the good (the origin criteria) meets the rules set out in CPTPP.

Examples of food products with zero tariffs under CPTPP



The CPTPP, which came into force in December 2018 for Singapore, Australia, Canada, Japan, Mexico, New Zealand and Vietnam, also provided new tariff benefits for markets that had previously been connected to Singapore via existing FTAs. Companies exporting to Japan, for example, had been able to use the bilateral agreement with Singapore (JSEPA) as well as the ASEAN-Japan FTA. But CPTPP has provided new tariff concessions or benefits to Singapore-based firms exporting to Japan. This includes tariff free access for products like instant tea and coffee, instant curry paste, and tapioca pearls. Japan also granted tariff reductions for products that were traditionally protected such as dairy food products, confectionery and snacks, which will allow Singapore-based firms to benefit from exporting ice cream, biscuits and crackers to Japan.

A different regional trade agreement, RCEP, which covers all 10 members of ASEAN plus Australia, China, Japan, New Zealand and South Korea, also provides new tariff benefits for Singapore firms. Some of the tariff benefits included in RCEP may match existing FTA tariffs, as the RCEP was built using the existing ASEAN agreements as a baseline. In some product categories, however, tariff reductions may be better than existing levels in other FTAs, particularly for many food and agricultural products where past tariff cuts were modest or not included at all.

How to ensure your product can qualify for Tariff Savings

RULES OF ORIGINS (ROO)

When negotiating an FTA, it is important to ensure that only manufacturing or processing done by firms located in the FTA countries qualify for preferential access to the tariff benefits in an agreement. If any company located anywhere in the world could also claim lower tariff rates or duty-free treatment, it would not be as useful for participating members. Therefore, all FTAs contain a set of rules that show how products can qualify for the FTA.

DIFFERENT FTAS DIFFERENT ROOS

Every FTA may have slightly different ROOs in place, even for the same product. It is very important that companies check and confirm that products qualify under the specific FTA from which they are seeking to benefit from the preferential concessions provided. As an example, while many ASEAN agreements include regional value content (RVC) rules which require 40% of the value embedded in the product to come from ASEAN or member markets, not all agreements or all tariff lines include RVC calculations. Even when two agreements have RVC included, it may be the case that the cumulation threshold is not the same.



HARMONIZED SYSTEM (HS CODES)

To understand what rules apply to which products, it is first important to know the Harmonized System (HS) classification number for the good, as all FTA information on tariffs and rules of origin are based on the HS Code for a product.

HS Codes divide all goods into categories. Products get more finely specified as more numbers or “digits” are included. At the two digit level, goods are divided into different categories ranging from Chapter 01: Live Animals to Chapter 97: Works of Art. These product groups can be more carefully distinguished with additional information at the Heading (four digit) or SubHeading (six digit) levels. As an example, juice, jams and pickled vegetables can be found in Chapter 20. HS Code 20.09 contains all fruit and vegetable juices. At the SubHeading level, 20.09.19 is orange juice. Most economies have classification that extends out to 8 or 10 digits, but FTAs usually use only 2, 4 or 6 digit classifications.



HS Code 20

- Preparations of vegetables, fruit, nuts or other parts of plants



HS Code 20.09

- Fruits and vegetable juices



HS Code 20.09.19

- Orange Juice

Firms should be careful with HS Codes, as they are not globally consistent beyond the 6 digit level. In other words, an HS classification for a product in Singapore at 8 or 10 digits may or may not match the same HS classification in markets like Australia, Japan or the United States. This can result in products being charged higher tariff rates at the border being denied clearance, or being fined for misdeclaration.

As an example, Singapore and the rest of ASEAN use 2009.11.00 for all frozen orange juice, while the United States splits frozen juice into three different categories (2009.11.00.20, 2009.11.00.40, 2009.11.00.60) depending on the size of the container.

MINIMAL OPERATIONS OR PROCESSES

Some processes are considered as insufficient to meet the requirements to confer originating status in an FTA. Such processes -- even when used in combination or to clear value addition thresholds (ie, RVC 40%)-- will not affect the origin of the manufactured product. Goods that are insufficiently transformed cannot claim access to lower tariffs and other preferences in the FTA and had to pay MFN duties instead.

Some insufficient transformation processes include but not limited to the following (please kindly refer to the individual FTA legal text)



Materials and containers used for packaging goods for retail sale could count towards meeting RVC criteria. This includes the containers holding the product such as sauces and beverages and packaging for ready-to-consume meals.

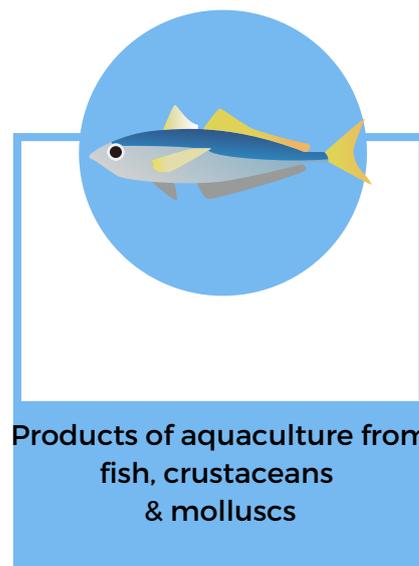
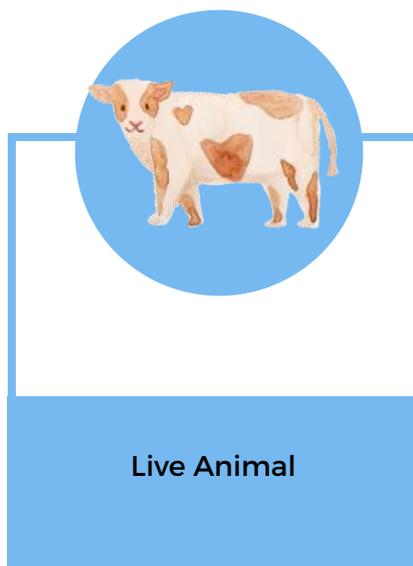
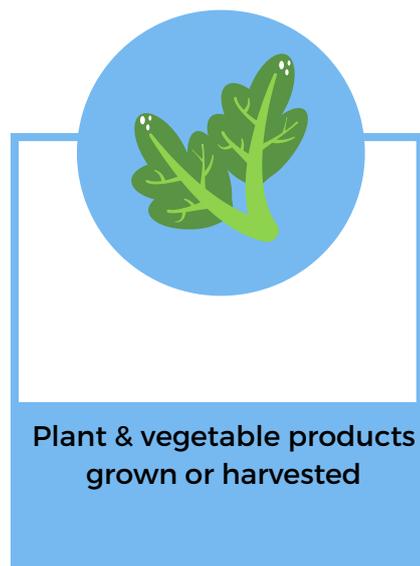
Sometimes firms have products that are held in Singapore before further shipped to final destination. In FTAs like ASEAN-China Free Trade Area (ACFTA), ASEAN-Australia- New Zealand Free Trade Area (AANZFTA), a back-to-back Preferential Certificate of Origin is issued by the issuing authorities in the intermediate FTA country for re-exports of goods, based on the Preferential CO issued by the first exporting Party.

The good is allowed to undergo operations such as bulk breaking and other necessary operations to facilitate the transport without losing its originating status. Such goods may need to be stored in designated warehouses and be kept within control of the customs administration.

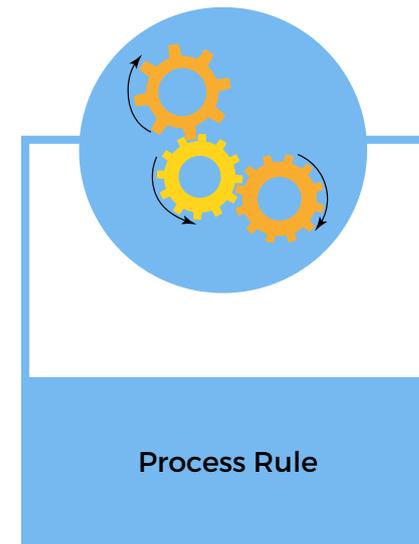
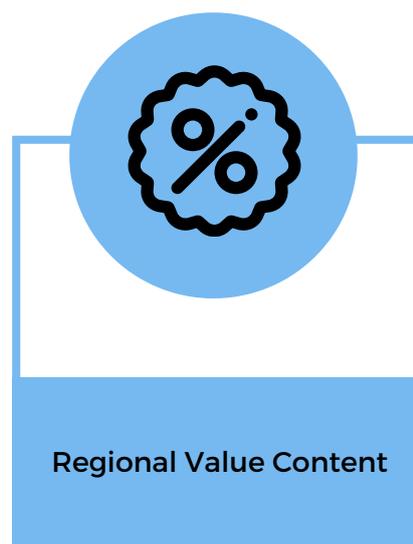
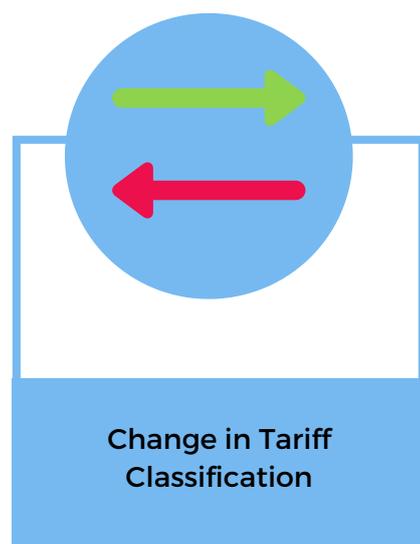
Different ways to qualify for Tariff Savings

Rules of Origin (ROO)

Wholly Obtained (WO)



*Substantial Transformation

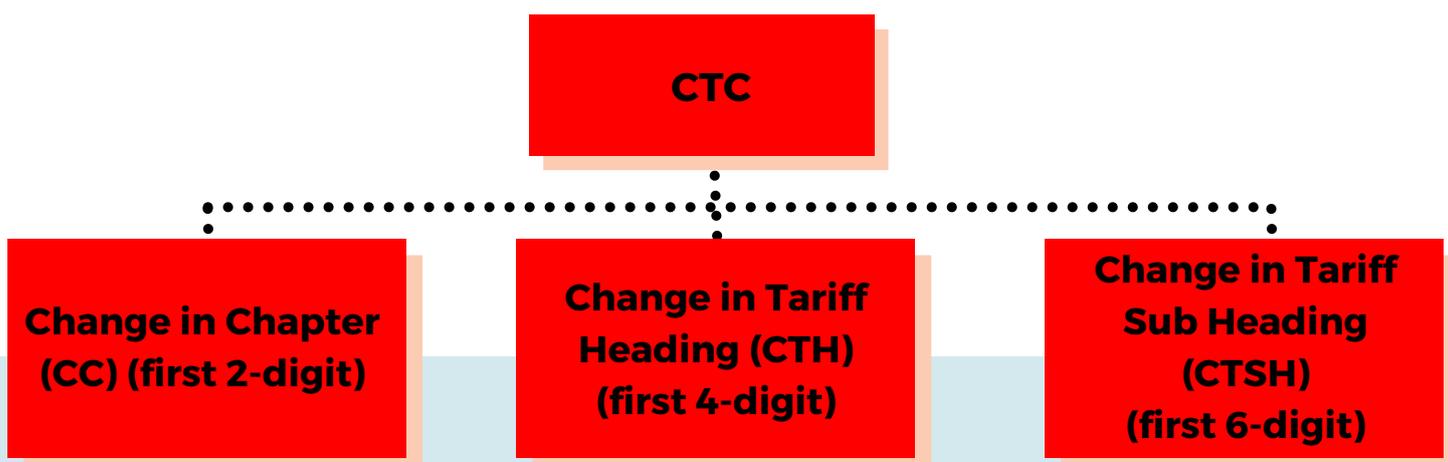


*These methods can be used in combination or standalone, depending on the origin criteria or ROOs of an FTA. Each FTA has different ways to calculate substantial transformation. Some are easier than others for firms to meet.

For processed agriculture, meat and seafood products to qualify for lower tariffs, FTAs often require that the key ingredients used for the manufacture of the good are wholly obtained. This means that food manufacturers in Singapore must use locally produced or harvested plant, meat and seafood in the production of the processed food product such as vegetable chips, meat dumplings, prepared fish fillet. Wholly obtained raw materials and ingredients can also come from the FTA partner market to be included in Singapore manufacturing processes.

CHANGE IN TARIFF CLASSIFICATION (CTC)

The Change in Tariff Classification (CTC) method is applicable to non-originating materials undergoing a change in Harmonized System (HS) classification to the final good. In other words, the non-originating material must not have the same HS classification as the final good either at a Chapter level, Heading level or Sub Heading Level depending on the product-specific rules.



Manufacturers and/or exporters are required to know the HS classification of the final good and the non-originating raw materials to determine whether the CTC criterion has been met. For help determining classification and qualification for ROOs, please contact local customs authorities.

Food manufacturers can sometimes struggle to show that every item meets the CTC criteria for all non-originating raw materials. In this case, a De Minimis rule, which is frequently included in an FTA, can allow non-originating material to be used-- provided that the value of the non-originating material does not exceed a threshold of (usually) 10% of the value of the good.

EXAMPLE: PORK DUMPLINGS

FTA: CPTPP

ROOs: CC (first 2-digit)



Pork
HS 0203.29



Wheat flour
HS 1101.00



Pork dumplings
HS 1902.20

The non-originating pork from Indonesia and flour imported from China have undergone changes in the first 2-digits of the HS code from the final product and hence met the ROO requirement under CPTPP.

Assuming that the dumplings are exported to Canada for sale, the importers in Canada will obtain a reduction in tariff on dumplings made in Singapore. Tariffs on meat dumplings imported into Canada drops from 11% to zero under CPTPP.

REGIONAL VALUE CONTENT (RVC)

Regional value content (RVC) rules require the product to meet a certain percentage of originating content from local sources or from across FTA member countries. Firms should note that different FTAs may have different methods to calculate RVC and have different RVC thresholds that must be met to qualify for lower tariffs.

Under agreements with multiple parties, it is relatively easier for manufacturers to meet the RVC threshold due to cumulation of originating materials. For example, many of the ASEAN's trade agreements have a 40% RVC rule of origin. This means that 40% of the value of the content in the good must be sourced from within 10 ASEAN member states and the other FTA party, like China in ASEAN/China. A 40% RVC rule also means that up to 60% of the value of the good can come from outside the FTA members. Be sure to calculate RVC carefully, using calculation methods shown in each FTA.

Food manufacturers in Singapore can more easily meet RVC requirements for ASEAN FTAs when the imported ingredients may include eggs, meat and seafood from ASEAN members such as Malaysia, Thailand and Indonesia.

There are generally 2 methods to calculate RVC:

1. Build up:

$$\text{RVC} = \frac{\text{Value of originating materials} + \text{Direct labour and overheads} + \text{Profit} \times 100}{\text{Total value of the good}}$$

2. Build down:

$$\text{RVC} = \frac{\text{Total value of the good} - \text{Value of non-originating materials} \times 100}{\text{Total value of the good}}$$

*The value of the good could refer to FOB or Ex-works price or based on Customs value specified under the Rules of Origin Chapter of an FTA.

EXAMPLE: SHRIMP WANTON

FTAs: Multiple ASEAN FTAs

ROOs: RVC 40 or CC



Shrimps and
Prawns HS
0306.95
40% from an
ASEAN
Country OR
FTA Party



Dumpling Skin
made from
Wheat flour
HS 1101.00
60% from
non- FTA party



Shrimp Wanton
HS 1902.20

Where there is no applicable tariff shift rule in the bilateral FTA as per the pork dumpling example, then companies, instead of using the bilateral agreement (eg. between Singapore and China), Singapore firms could check if the origin criteria via the regional FTA route (eg. ASEAN - China FTA (ACFTA) which allows firms to cumulate raw materials to meet the RVC requirement is suitable for their production pattern and thereby facilitates a preferential tariff transaction.

Singapore firms could use shrimps from ASEAN countries such as Vietnam and Indonesia as the fillings, flour from China to make the skin to meet the RVC requirement to obtain a 5% tariff reduction for export to China.

PROCESS RULE

Process rules, which may be less familiar to food manufacturers, may also apply in the production of edible animal or vegetable fats and oils apart from CTC and RVC rules. In the ASEAN-Australia-New Zealand FTA (AANZFTA), for instance, edible oils like margarine and fish liver oil produced via a refining process in Singapore, can allow the final product to be considered as originating without needing the product to undergo any change in tariff classification.

Tariff Heading	Tariff Sub-Heading	Product Description	Product Specific Rule
1516		Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, reesterified or elaidinised, whether or not refined, but not further prepared	RVC(40) or CC or No change in tariff classification is required provided that the good is produced by refining
	1516.10	- Animal fats and oils and their fractions	
	1516.20	- Vegetable fats and oils and their fractions	
1517		Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 1516	RVC(40) or CC or No change in tariff classification is required provided that the good is produced by refining
	1517.10	- Margarine, excluding liquid margarine	
	1517.90	- Other	

MAJOR ROO BENEFITS PROVIDED BY RCEP

For Singapore-based firms, RCEP should have more helpful ROO rules than other FTAs. In general, the agreement tries to provide firms with multiple ways to qualify for lower tariffs. As noted earlier, all fruits, vegetables and seafood grown in Singapore will qualify for wholly obtained benefits in an FTA. Many product categories provide additional ROO qualification methods beyond just allowing wholly obtained products to take advantage of tariff cuts, including CTC or RVC rules that can be quite useful for processed food products. RCEP Chapter 3 shows the product-specific rules that apply for each HS Code.

When calculating RVC for RCEP, firms can cumulate or “add up” content from across all participating RCEP member countries. This could include vegetables added from Malaysia and other ASEAN countries, meats from Australia or fruits from Japan. Once the RVC threshold has been met or the CTC rule applies, the product can be shipped to all 15 markets without a need to change ingredients or remanufacture the product as the ROOs apply equally to all 15 member markets.



The Application Process

PREFERENTIAL CERTIFICATES OF ORIGIN (PCOS)

OBJECTIVE

To enjoy preferential tariff rates under an FTA, the importer will need to submit a valid preferential COO.

A preferential COO allows importers to pay the committed preferential tariff under the terms of the FTA being used i.e. zero (duty-free) or lower custom duties or tariffs for qualifying products as described in specific FTAs.

PREFERENTIAL CERTIFICATES OF ORIGIN (PCO)

- ✓ Issued by the authorized authorities
- ✓ Manufacturers and/or exporters to apply for the authorized PCO with Singapore Customs
- ✓ Importers to claim the preferential tariff at destination
E.g AKFTA, AJCEP, CSFTA

SELF CERTIFICATION

- ✓ Exporters must include a declaration statement that meets the criteria
- ✓ Reducing the administrative costs, transaction time.
E.g EUSFTA, USSFTA, SAFTA

RECORD KEEPING REQUIREMENTS

Customs officials can request documentation or conduct site inspections to verify that the goods exported meet the ROOs. Firms can be fined steep penalties for non-compliance. As the chart below indicates, companies are required to keep all documentation relating to the production and export shipments and the origin declaration for at least three years.

Companies that are using self-certifying FTAs, especially, may want to invest in software solutions to manage their trade compliance

FTA	COO TYPE	DURATION
EUSFTA	Self-certification	At least 3 years
UKSFTA	Self-certification	At least 3 years
USSFTA	Self-certification (excluding textiles and garments)	At least 5 years
CPTPP	Self-certification (except for Vietnam exporters)	At least 3 years

Note that there may be minimum data requirements that should be met when making a self-declaration, such as for the CPTPP. This is usually provided for in the FTA text. Your customs broker should be able to assist in clearing this requirement.

Singapore exporters, when making a TradeNet declaration for the export permit, must ensure that "PRI" is selected under the "Preferential Indicator" field to allow the importer to claim preferential tariff treatment under FTAs with self-certification regimes.

COMPLYING WITH FOOD SAFETY REGULATIONS

SANITARY & PHYTOSANITARY MEASURES (SPS)

Tariffs are not the only issue that can affect the export of food products. Increasingly, firms can struggle to manage a range of issues related to standards. Many of the difficulties can stem from what are called sanitary and phytosanitary (SPS) rules.

While most SPS restrictions are enacted legitimately to provide safe food and food products (as well as to protect animal and plant life and health), some create obstacles to trade by protecting the local market from foreign competition or impose rules which may create inadvertent obstacles to foreign trade.

FTAs, therefore often set out specific rules and requirements regulating how SPS measures can be created and implemented.

Most FTA rules for agriculture build on existing global rules created in the World Trade Organization's (WTO) SPS Agreement.

Some FTA SPS chapters, including the CPTPP, EUSFTA and UKSFTA, provide specific guidance to member governments to help streamline procedures for conducting agricultural checks and conformity assessments and limit the ability of member governments to craft and implement regulations and measures that are unreasonable or create unnecessary trade burdens.

Many of Singapore's existing FTAs include a specific chapter on SPS rules ,e.g. CPTPP.



CPTPP SPS CHAPTER

CPTPP enhanced the WTO SPS Agreement by adding further requirements including conducting risk assessments before products clear customs. Efficient and effective risk assessment processes can flag potentially problematic shipments before arrival and ensure that lower risk goods clear customs more quickly.



For perishable food products, speed at border crossings matters greatly.

Some FTAs, like CPTPP, have specific rules or time guidelines to move food and agricultural goods through borders, such as a 6 hour window for the clearance of perishable goods or 48 hours for all products. These time release objectives can only be met with robust risk assessment in place in member markets.



SPS guidelines limit restrictions to science-based evidence and allow the possibility for rules to be constrained to just certain parts of a member market.

The potential presence of a pest or disease does not automatically shut the border to all food and agricultural products from the member market, but can be limited to only geographic regions known to contain products with such pests or diseases and allow all other items to continue to cross borders under existing SPS certification procedures.



More streamlined and transparent requirements

CPTPP exporters can expect certification requirements to be applied only to food products that are necessary and information requirements are to be limited to essential information.



CPTPP countries cannot simply implement new SPS measures without formal notification.

CPTPP adds a requirement that a reasonable time “of more than six months between the date it publishes a final sanitary or phytosanitary measure and the date on which the measure takes effect” should be applied before any new SPS measure takes effect to allow importers/exporters ample time to react to new regulations or measures.

COMPLYING WITH FOOD SAFETY REGULATIONS



TECHNICAL BARRIERS TO TRADE (TBT)

Transparency for existing and proposed or planned future rules and regulations helps to ensure that firms have adequate notice and warning about adjustments to market conditions.

An SPS chapter is often complimented by a second chapter that tackles other types of product standards, called the Technical Barriers to Trade (TBT) chapter, or in ASEAN agreements, similar chapters are called Standards, Technical Regulations, and Conformity Assessment Procedures (STRACAP).



CPTPP TBT CHAPTER

Like the SPS chapter, the TBT provisions in CPTPP are also based on the global rules for managing TBT rules.

The CPTPP adopts many Articles from the WTO TBT Agreement and further supports the recognition of conformity assessment or product testing results. CPTPP countries must provide equal treatment to the conformity assessment or testing bodies of another party in the agreement and recognise or accredit such conformity assessment bodies in the same manner that is applied to domestic bodies.

This allows Singapore-based firms to test products once in Singapore and be confident that the test results will be accepted across the CPTPP without the need to test again.



Mutual Recognition Agreements (MRAs)

Have been established between CPTPP countries may also be applied to provide for mutual recognition of testing results. Similar to the SPS chapter, the CPTPP TBT chapter also requires an interval of more than six months to elapse between the publication of final technical regulations and conformity assessment procedures and date on which any new technical regulation takes effect.



Proprietary Formulas for Prepackaged Foods and Food additives (Annex 8-F)

Helps to ensure that confidentiality of information is respected for commercial interest and that only the essential information is gathered in the application of technical regulations and standards. International standards including information labels following the CODEX STAN 1-1985 and CODEX STAN 107-1981 still apply.

REDUCING COSTS & TIME TO MARKET

Simplified Customs Procedures

Trade relies on a smooth and efficient movement of goods across borders. While Singapore leads the world in delivering at the border through outstanding customs procedures, not every country is as efficient.

FTAs often include a set of rules specifically to improve efficiency and predictability in the release of goods. Some agreements include specific rules around express shipments and other clearance time measurements, particularly for perishable goods.

An additional benefit found in many of Singapore's FTAs is the ability to get what are called "advanced rulings" on key issues of concern to customs officials, including confirmation of applicable HS Codes, eligibility of goods for the rules of origin, and tariff rates. Singapore-based firms will have to file either a written or electronic request to obtain Advance Rulings to the respective Customs authorities.

For example, a Singapore firm exporting to the US could seek an advance ruling from the U.S. Customs and Border Protection (CBP) through an electronic ruling request.

The validity of an advanced ruling could also differ by the country issuing the ruling. For Singapore and Malaysia, the customs ruling is valid for a period of 3 years from the date issued.



SUMMARY OF BENEFITS ON CUSTOMS PROCEDURES



CPTPP

- An advance ruling to be issued within 150 days after the request has been submitted
- Express shipments to be released within 6 hours of the submission of customs documentation
- Improved customs automation through electronic submissions
- Goods to be released within 48 hours of the arrival time where possible



EUSFTA

- Simplified import/export procedures such as the use of a single customs declaration document
- Remove preshipment inspections before customs clearance



USSFTA

- An advance ruling to be issued within 120 days upon receipt of all necessary information
- Goods to be released within 48 hours of the arrival time where possible
- Express shipments to be released within 6 hours of the submission of customs documentation



RCEP

- An advance ruling to be issued within 90 days where possible upon receipt of all necessary information
- Express shipments to be released within 6 hours of the submission of customs documentation
- Goods to be released within 48 hours of the arrival time where possible
- Release of perishable goods within 6 hours after arrival where possible

INTELLECTUAL PROPERTY (IP) PROTECTION

Protecting Your Brand

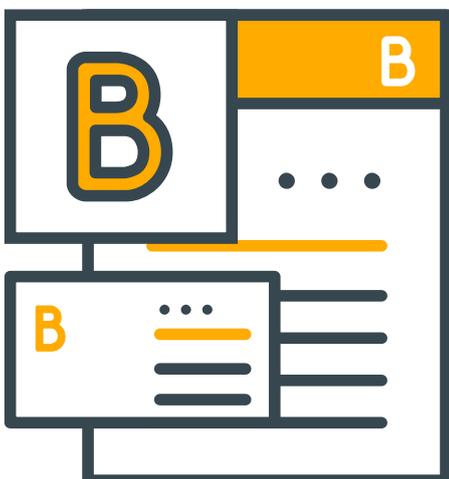
Food producers may not immediately appreciate the benefits of an FTA beyond the obvious elements like tariff reductions and simplified border procedures. The more ambitious and comprehensive agreements, however, also contain additional rules that can provide benefits to firms based in Singapore.

This includes the less obvious implications of new intellectual property (IP) rights chapters. Many companies today live and die on the basis of their branding. Branding, such as logos, packaging and marketing, often includes important IP protections. These ideas are meant to be protected under stronger IP rules to ensure that potential competitors do not simply steal a company's ideas, trademarks, patents and so forth.

FTAs often include strong enforcement components to ensure fewer infringement cases, counterfeit products and illicit trade.

Singapore companies enjoy strengthened protection for intellectual property (IP) in many FTAs that goes beyond current commitments under the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS). IP rights are important to goods trade where businesses could control the use of their trademark to strengthen their competitive position and prevent competitors from manufacturing a similar product.

FTAs such as the RCEP, CPTPP and EUSFTA provides for robust IP protection for areas like trademarks and geographical indications.



Protection and Enforcement of IP

Trademarks, including collective marks and certification marks, can be registered for protection in RCEP and CPTPP countries. Firms benefit from a system of electronic application to register their trademarks. RCEP allows for one application for registration of a trademark in relation to several goods or services (multi-class application).

The rules are important, but as critical for companies is the ability of governments to ensure that the rules are followed. FTAs typically include a range of commitments for enforcement of IP rights.

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In the case where a firm has valid grounds to suspect imported shipments of counterfeit trademarked goods has taken place, the firm can lodge an application to the relevant authority of the FTA party to stop the release of the counterfeit trademark goods. RCEP and CPTPP member countries maintain measures to allow the relevant competent authority or customs to initiate the suspension of the release of counterfeit trademark goods. This allows customs officials to suspend the release of suspected counterfeit trademark goods detected and consult the rights holder of the trademark for verification.



GEOGRAPHICAL INDICATIONS FOR EUSFTA AND CPTPP

The EUSFTA and CPTPP provides an established system for the protection of geographical indications that is especially relevant for wines, spirits, agricultural products and foodstuffs.

The idea behind geographic indications (GIs), which started around wine products, is that there is something unique to the spot where such products are grown, harvested, produced or manufactured. Only goods from these areas are able to meet these local conditions. All other goods that may appear similar are not the same.

Champagne from France, for instance, is not the same as a similar type of product grown in California, which should be known instead as sparkling wine. GIs are meant to ensure compliance so that consumers are not confused about the products they buy.

There is a global system of GIs in place for many wine and alcohol products. Some FTAs include expanded product lists or further rules governing GI protection, including EUSFTA and CPTPP.

A system of checks is in place to allow interested persons to comment or seek cancellation of a geographical indication based on reasonable grounds stipulated in the agreement. A list of protected geographical indications under the EUSFTA are listed in Annex 10-B of the agreement and a list of names to be applied for protection as geographical indications are indicated in Annex 10-A.

Singapore enforces strict IP protection for all registered trademarks and geographical indications. Exporters, however, should be aware of differences in the level of IP protection that are provided by other countries and consider the advantages conferred by FTAs that offers enhanced IP protection. As the scope of coverage of IP chapters in each FTA could differ between agreements, businesses should refer to the legal text for the most accurate definitions.



CASE STUDIES





Our Brands



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GOLDEN BRIDGE FOOD MANUFACTURING PTE LTD

A leading manufacturer and supplier of canned and frozen meat products including luncheon meat, hams and sausages.

Most of Golden Bridge's meat products are exported to ASEAN markets using ASEAN FTAs to allow their products to be more competitive in these markets.

In addition, Golden Bridge has also leveraged the use of ASEAN-India FTA, EUSFTA and AANZFTA for their products. By working with their importers and distributors of their meat products in overseas market to obtain the PCO for their products to claim preferential tariffs, such savings has allowed Golden Bridge's products to remain competitive on the shelves.

To meet the specific criteria for their products to qualify for preferential tariffs, Golden Bridge also has to pay special consideration for the sourcing of their raw materials, especially for meat, to ensure that the ROOs could be met for specific FTAs.

Even though FTAs have significantly improved the price competitiveness of Golden Bridge's products, market access challenges and issues with labelling remain prominent. Different competent authorities could require different declaration methods for their nutrition information panel (NIP) label which must be conformed, and others may request specific language to be on the products entering their markets. The production plant and products must be certified and approved by the relevant authorities before exportation can happen.

Golden Bridge has had to work closely with the Singapore Food Agency (SFA) on the exportation process for their products to obtain clearance for export to individual markets.

MEAT



Pork (HS 0203.29)



Bak kwa (HS 1602.49)

CPTPP ROO: change in tariff heading from any other chapter except from chapter 2 or a regional value content of not less than 45% under the build-down method.

CPTPP Build down method:

$$\frac{\text{Total value of the good} - \text{Value of non-originating materials}}{\text{Total value of the good}} \times 100 \geq 45\%$$

FTA opportunities are also provided to processed meat manufacturers. Like many food categories, meat can have high levels of protection in foreign markets, including high tariffs and quotas or other management systems in place to regulate the volume of foreign products in the market. These existing protections provide opportunities for FTAs to deliver new market access or reduce costs as some of these barriers can be addressed in trade agreements.

For instance, while Japan has traditionally been challenging for Singaporean firms trying to export products like bak kwa or pork jerky, the CPTPP makes it easier to send such products. Some of the biggest benefits, however, may still take time to result in significant new access for Singaporean companies.

Under CPTPP, Japan will maintain an agricultural safeguard measure for processed pork until 2029. Agricultural safeguard measures are generally applied to prevent an influx of goods that could affect the prices of domestic produce. Starting April 1, 2029, export of processed pork into Japan will be completely duty free for products that meet the ROOs. The CTH rule cannot be met if non-originating chilled or frozen pork from non-CPTPP countries such as Indonesia has been used. In this case, pork must be sourced from CPTPP members such as Australia. It may prove easier for bak kwa firms to qualify using the RVC 45% rule instead, as it allows wider sourcing of pork for inclusion in the final production in Singapore.

CPTPP provides bak kwa manufacturers with the possibility of using pork from non-CPTPP countries and with the addition of spices and condiments that are originating, and processing and grilling of bak kwa in Singapore, the labour and overheads that goes into the production process needs to exceed the required RVC of 45%.

Starting April 1, 2029, export of processed pork into Japan will be completely duty free for products that meet the ROOs.



Thong Siek is currently exporting to 30 countries with approximately 85% of its products being manufactured in Singapore. The largest export markets for Thong Siek include the US, Malaysia, and the Philippines. As products made in Singapore could be more appealing to consumers overseas due to the stringent control by the Singapore Food Agency, most of Thong Siek's seafood products are manufactured for export locally.

Thong Siek has fully utilized FTAs where possible to allow its importers and clients in overseas markets to claim preferential tariffs. Through the use of ASEAN FTAs, ACFTA and the CPTPP, Thong Siek has managed to obtain savings for its clients in markets such as the Philippines (15% reduction in tariffs), China (12% reduction in tariffs) and Canada (7% reduction in tariffs).

As a manufacturer of surimi-based seafood products, it is relatively easy for Thong Siek to meet the CTC and RVC requirements from the ROOs of ASEAN FTAs and the CPTPP. The use of certain agreements such as the EUSFTA can remain challenging as the ROOs requires the fish used to make fishballs to be wholly obtained, either originating from the EU or Singapore.

There are additional challenges for the firm, including SPS/TBT issues, especially when exporting to Canada and China. For example, these countries have special requirements in nutrition information labelling that require a quality assurance (QA) team to assist the export team to meet the requirements. At the initial phase of exporting, such processes to develop the labelling and packaging could take from weeks to months to sort out the details and ensure that key information has been provided.



“The Singapore government has helped manufacturers to remain competitive in wake of overseas competition through ASEAN and ASEAN-China FTAs that can be tapped”

- Ching Ting Soon, Business Development Director of Thong Siek Food Industry Pte Ltd

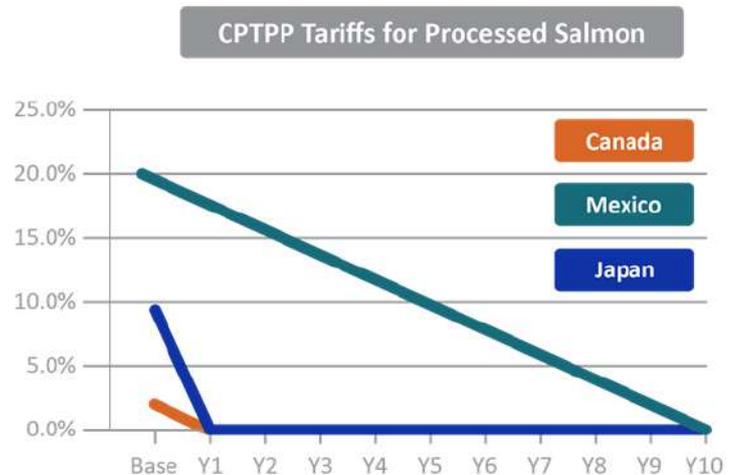
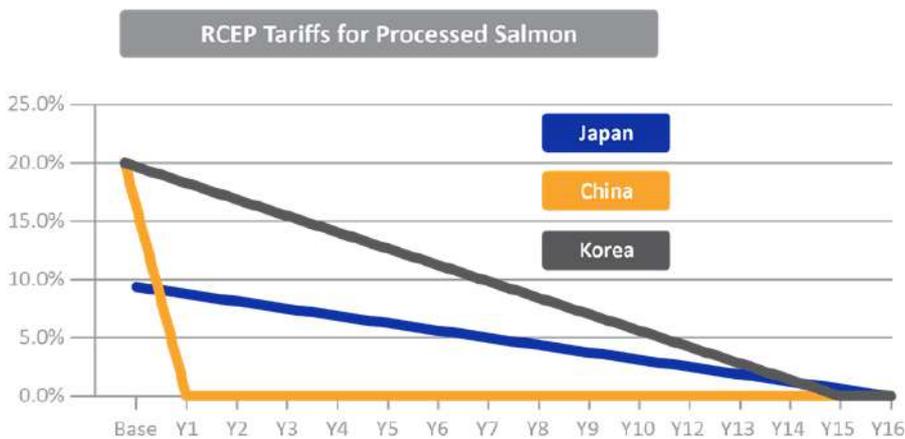
Although there are some markets that have zero tariffs for surimi-based seafood products for all exporters, an FTA can still provide benefits. For example, Thong Siek received recognition of halal marks through the GCC-Singapore FTA for its exports to the UAE and Qatar.

Thong Siek looks forward to potential expansion into markets such as Saudi Arabia and Russia.

SEAFOOD

Processed seafood producers in Singapore can gain substantial benefits from FTA ROOs that are simpler to meet for CPTPP and RCEP. Many seafood products do not require the seafood to be wholly obtained or caught in waters of Singapore or any of the FTA parties to meet the ROOs. Instead, a CTC or RVC rule often applies, as it does for the CPTPP and RCEP.

The MFN tariff for prepared salmon (HS 1604.11), including smoked salmon, is 9.6% for Japan.



For CPTPP, tariffs for prepared salmon have already fallen to zero and for RCEP, Japan's tariffs will drop to zero in 16 equal stages. For both CPTPP and RCEP, processed salmon producers are required to meet a change in chapter classification (CC). This allows salmon producers for smoked salmon to use non-originating salmon from Norway or other non-CPTPP/RCEP countries and process the fresh or frozen salmon in Singapore to meet the CC rule. If the smoked salmon product has met the rules of origin for either CPTPP or RCEP, it can also be sent without changing sourcing, raw materials or production processes into all other CPTPP or RCEP members and receive whatever lower tariffs are on offer in each.

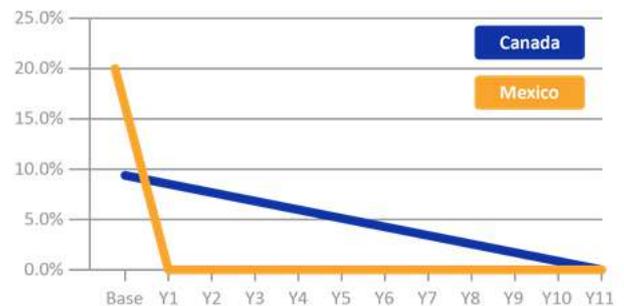


CONFECTIONERY

Singapore-based firms can use FTAs to export confectionery products, like hard candies, more easily across member markets. FTAs can be particularly important for such companies as many ingredients like sugar, chocolate and milk or dairy are often highly protected agricultural products. Countries have imposed trade measures such as quotas or apply high tariffs for food products that contain these ingredients to protect their domestic producers from foreign competition. FTAs, which open markets and lower tariffs, can provide specific benefits for food manufacturers in Singapore trying to export many food products in these protected sectors or which contain these types of ingredients and raw materials.

For example, the CPTPP provides enhanced market access for sugar confectionery and chocolates into Japan. Prior to CPTPP, the ASEAN - Japan Comprehensive Economic Partnership (AJCEP) did not provide any tariff benefits for confectionery goods into Japan. Candies exported to Japan faced a tariff as high as 25% and chocolate bars were subject to a 10% tariff rate. Under such high tariffs, Singapore firms may not have been competitive in the Japanese marketplace. Once these are lowered or removed, however, Singapore producers will receive new opportunities in the lucrative Japanese market. Other than through CPTPP, Japan has not granted similar preferences for many agricultural goods in most of its own FTAs.

CPTPP Tariffs on Marshmallows and Candies



For Canada and Mexico, where Singapore did not previously have any FTA prior to the CPTPP, an extensive tariff reduction was provided for certain confectionery items such as candies and marshmallows. Tariffs on candies and marshmallows has already dropped from 20% to zero for Singapore exports to Mexico and tariffs for imports into Canada at 9.5% are scheduled to be removed in 11- stages, concluding in 2028.

KAYA

Using FTAs, kaya— a commonly enjoyed spread in Singapore—could be imported into countries that have FTAs with Singapore at a lower tariff rate.

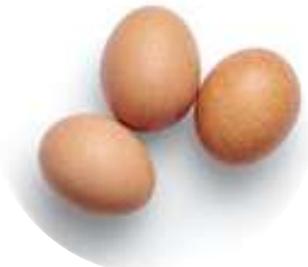
Under the EUSFTA and UKSFTA, Singapore kaya manufacturers could export kaya under HS 2106.90.59 into the EU countries and the UK at a reduced tariff rate by meeting the ROOs.

This means that Singapore exporters do not have to use products of Singapore or EU origin to produce kaya for export to the EU.

Under EUSFTA and UKSFTA tariffs will drop from 0.4 €/100 kg/net to the current 0.20€/100 kg/net (from 21 November 2020 to 20 November 2021). Tariffs be completely removed on 21 November 2022.

In the case of kaya (HS 2106.90.98.97) imported into the US under the USSFTA, Singapore-based manufacturers must use originating sugar and dairy from the US and Singapore (such as sugar that originates from the US with eggs produced locally) to manufacture kaya for their products to qualify for duty-free access into the US market.

Using USSFTA, tariffs on kaya drops from 6.4% to zero for importers of kaya in the US.



Eggs from Malaysia



Sugar from Thailand



Tariff Rate Quotas (TRQs)

In addition to high tariffs, some agricultural products could be subject to what are called tariff rate quotas (TRQs). A TRQ applies one tariff to a quantitative limit of imported products. Once the quota is filled, all goods that arrive above the quota level are subject to much higher tariff rates. Typically, the out-of-quota rate is so high that firms simply stop accessing the market once the quota level has been reached.

Unfortunately, TRQs may still apply in FTAs, although Singapore may have received a larger share of a global quota for some goods and increased access for others.



In CPTPP, for example, Japan has continued to apply a tariff rate quota (TRQ) on sugar confectionery and chocolates. Japanese importers can save on the 25% tariff on imports of candies from Singapore if the aggregated volume falls within the annual quota of 3600 metric tonnes. As the quota is administered by Japan through a first-come, first-served import licensing procedure, only importers holding a tariff quota certificate, which must be submitted to the Japan Customs, can be eligible for the preferential duty. The aggregate quota quantity will be raised subsequently to 6000 metric tonnes in year 11 and beyond. In other words, Singapore firms are in line for a larger share of the quota, starting in 2028.

TARIFF RATE QUOTA (TRQ) FOR FOOD PRODUCTS IN CPTPP

CANADA



milk



cheese



chicken

JAPAN



candies



sugar



chocolate



butter

*MALAYSIA
(PENDING
RATIFICATION)



milk



eggs



live poultry

MEXICO



butter



cheese



Milk powder

SERVICES AND INVESTMENTS



Food manufacturing requires different services such as management, human resources, finance, logistics, marketing, and retail sales, to sell their products.

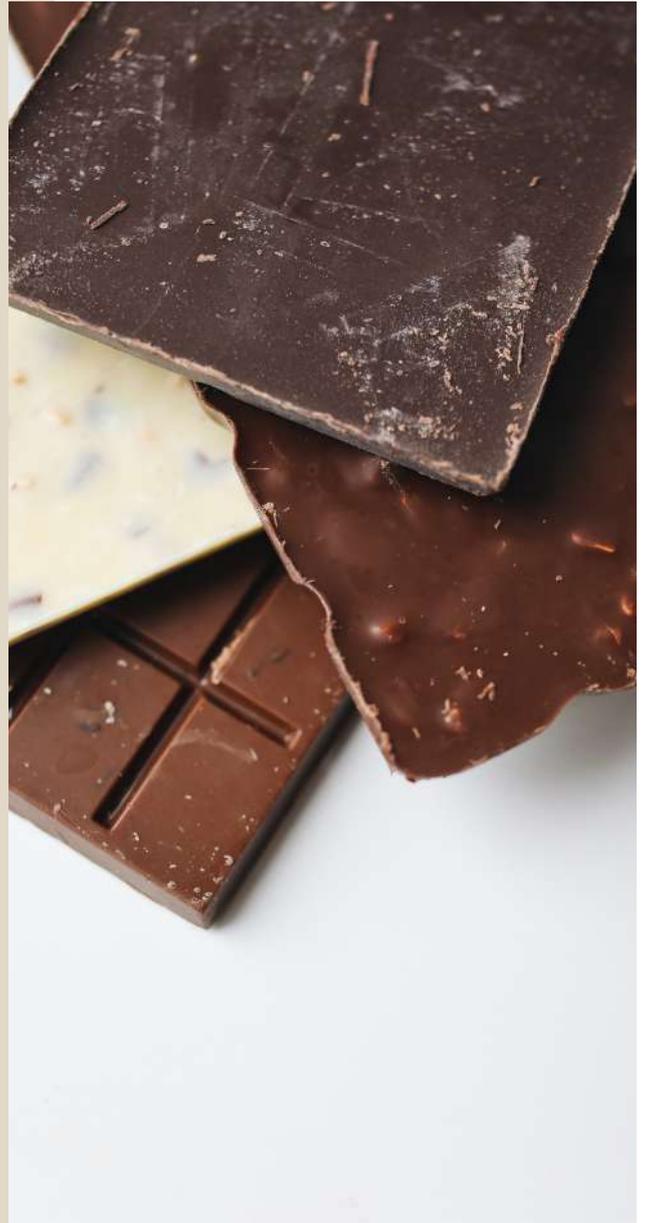
Other than lower tariffs, FTAs provide greater access and certainty over services and investment conditions for firms eager to expand their operations overseas.

OVERVIEW

A more liberalised services and investment climate granted by FTAs provide Singapore-based businesses with non-discriminatory treatment across a range of sectors. This means that Singapore firms will be treated no differently from domestic companies providing the same services or engaged in the same investment sectors. Many FTAs also grant new market access for services, investment or both.

Although areas of services and investments can remain challenging for professional services, financial services and transportation, the food manufacturing sector and provision of food services and retail are areas that are generally more open. Do note, however, that even with an FTA in place, some governments have restrictions that apply to foreign investments in agriculture, fishing and relevant sectors that can remain highly protected or even prohibited to foreign companies. Relative to other protected sectors in the negative list, Singapore food manufacturing firms or food retail establishments will enjoy a more open market access and business regulatory environment should they decide to set up manufacturing plants or establish their own retail channels overseas.

In such cases, conditions for land ownership or rental of industrial land or commercial space that can be a critical aspect to setting up a factory or retail store that may be relaxed in the FTA schedule of commitments. Such commitments provided by FTA countries can benefit Singaporean firms that are looking to expand their footprint by establishing distribution channels and franchise stores in an overseas market. Firms should evaluate the benefits provided by FTA countries when making an assessment on which markets to enter.



RCEP Services and Investments Commitments

To see what an FTA can offer to Singaporean companies in the services and investment sectors, it may be worthwhile to look in greater detail at the newest FTA commitments found in RCEP.

A few key markets are listed here:

AUSTRALIA

Australia has a rather liberalised investment climate for the food industry. There are general residency requirements where at least one director and secretary of a private company must be Australian residents under the Corporations Act. Some restrictions are also applied on the acquisition of land, especially for agriculture. There are, however, no further discriminatory restrictions on distribution services affecting wholesale trade and retail as well as franchising.

SOUTH KOREA

Some restrictions apply to foreign investment in agriculture and livestock. Korea also requires an office to be established for the provision of food services and for the transport and sale of food.

CHINA

Land use by enterprises is limited to 50 years for industrial purposes. Wholly foreign-owned enterprises are permitted to operate in China with the exception of chain stores that sell products of varying types and brands with more than 30 outlets. Other types of distribution services for retail, wholesale trade and franchising do not have limitations that restrict market access. Provision of food services by foreign enterprises also do not face any further discriminatory restrictions

NEW ZEALAND

Some restrictions are imposed on New Zealand's agriculture, fisheries and dairy to control activities, but in retail and wholesale trade, New Zealand does not impose extra restrictions on foreign enterprises.

JAPAN

Foreign investors intending to make investments in agriculture, fisheries and related services must adhere to notification requirement and screening procedures under the Foreign Exchange and Foreign Trade Law. Restrictions can be imposed on foreigners on the acquisition and lease of land. There are no restrictions on distribution services with the exception for the retail and wholesale trade of alcoholic beverages. A person who intends to engage in livestock trading business must be resident in Japan and obtain a license. (Note that Singaporean companies may have additional benefits in the services and investment sectors in Japan through CPTPP, which often contains improved services and investment access to other FTAs.)

INDONESIA

Under Indonesia's law, no foreign persons can own land, but joint venture enterprises are permitted to hold the rights for land use and can rent and lease land and property. Providing food services and operating restaurants in Indonesia will require a joint venture. A joint venture having commercial presence in Indonesia must make a total investment value of more than IDR 10 billion (excluding land and buildings).

The supply of food services in certain provincial areas can be subjected to an economic needs test. Restrictions are applied on wholesale trade services for food and beverages, direct selling and franchising. Under the aforementioned services type, foreigners can own up to 51% of shareholding in a joint venture but may face additional restrictions such as having a minimum business space above 5,000 square metres and are only permitted to operate in the suburbs of the Provincial Capitals in the Island of Kalimantan, Sulawesi, Nusa Tenggara, Maluku, and Papua.

CONCLUSION



The global food and beverages market is expected to grow from \$5943.8 billion in 2019 to more than \$7500 billion in 2023 providing many opportunities for the food manufacturers to gear up and innovate to capture market shares.

The new EUSFTA and upcoming RCEP can provide new business opportunities for Singapore food manufacturers.



Singapore's exports to the rest of the RCEP countries constitute more than half of its total exports (53.8%) to the world.

Singapore exporters that can make use of FTAs will be able to secure an edge over competitors that are not in an FTA network or are not able to use FTAs due to limitations imposed on sourcing and production.



For assistance on understanding and using FTAs, contact us at fta@sbf.org.sg.

Useful Information and Contact Details



For Singapore FTAs legal text and the Tariff Finder, please refer to Enterprise Singapore (ESG) FTA website at www.fta.gov.sg



For Harmonised System(HS) Classification of Goods, Preferential Certificate of Origin, please refer to Singapore Customs at <https://www.customs.gov.sg/>



For application on various certification such as Export Certification, Free Sale Certification, Export Health Certification, please refer to Singapore Food Agency (SFA) at <https://www.sfa.gov.sg/>



For details on ESG Market Readiness Assistance (MRA) Grant, including support for In-depth FTA Consultancy, please refer to ESG website at <https://www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/market-readiness-assistance-grant>

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