

# ISAS Working Paper

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## **Singapore – India Comprehensive Economic Cooperation Agreement: A Summary**

Singapore and India signed the Comprehensive Economic Cooperation Agreement (CECA) on 29 June 2005 in New Delhi, India. It will enter into force on 1 August 2005. The ministers who are responsible for the negotiations under this agreement will meet within a year of the date of entry into force for a review. This document provides a summary of the key provisions of the agreement.

### **CHAPTER 1: OBJECTIVES AND GENERAL PRINCIPLES**

Chapter 1 of the CECA lays down the definitions and rules for interpreting the terms mentioned in the agreement. It also specifies that the objective of the agreement is to strengthen the economic, political and social relations between both the countries and to promote trade in goods, in services and facilitate investment. The agreement will also facilitate the relations between India and ASEAN.

### **CHAPTER 2: TRADE IN GOODS**

1. Under the CECA, the agreement on trade in goods is based on Article XXIV of the GATT. This article makes an exception to Article 1 of the GATT (Most Favored Nation) by allowing countries to enter into preferential trading agreements. It is for the first time that India is notifying its trade agreement under Article XXIV of the GATT.

2. Trade in goods includes tariff concessions by both the countries to a number of products. There are about 11,650 tariff lines in India, which have been categorized into four lists:-
  - a) The Early Harvest list includes products on which all duties will be eliminated and they will receive duty free entry into India from Singapore from 1 August 2005. According to the Federation of Indian Chambers of Commerce and Industry, the initial list of 506 includes products from the electronics, instrumentation, pharmaceutical and publishing industries.
  - b) 2,202 products are in the Phased Elimination list whereby the custom duties will be reduced in a phased manner and brought down to zero from the date of entry of force of the CECA up to 1 April 2009.
  - c) 2,407 products will face the Phased Reduction of custom duties in five stages starting from 1 August 2005 and these goods will be allowed entry into India at concessional rates.
  - d) The rest of the 6,651 products will come under the negative list which means that they will not be liberalized and continue to receive the Most Favored Nation rates on their import.
3. India's concessions made in the first three lists covers about 75 percent of Singapore's present exports to India. Singapore on its side has eliminated all custom duties on all goods originating from India from the date of entry into force of this agreement.

### **CHAPTER 3: RULES OF ORIGIN**

1. The Rules of Origin (ROO) refer to the production and content criteria of a good, defining where a good originates. In a preferential or free trade agreement, the ROO is important because it determines the "nationality" of the good, which is essential for tariff concessions. Thus under the CECA, the ROO ensure that only goods from both signatories enjoy tariff concessions.

2. Strict ROO comprising simultaneous application of change in tariff heading and value added rule of 40 percent local content have been prescribed under the CECA to ensure that only the goods which are actually manufactured in Singapore and India benefit under this Agreement. CECA also provides for a list of products that are exempt from the general rule, i.e. a specific ROO applies to each product.
3. Rules have also been formulated on the issuance and verification of the certificate of origin and other related administrative matters such as change in address or in official seal, loss of certificate of origin, pre-exportation examination et al.
4. India has agreed that, if it takes into account the concept of outward processing<sup>1</sup> with any country in the future, the same will be offered to Singapore.

#### **CHAPTER 4: CUSTOMS**

Customs procedures facilitate smooth flow of goods across borders including originating goods that are entitled for preferential duties. For this purpose, the CECA specifies the following in respect of customs procedures and administration:-

- a) Acquaint the parties involved (including business) with publicly available information on custom laws, regulations, administrative procedures and administrative rulings and enhancing transparency.
- b) Promote paperless or electronic documentation between customs administration and its respective trading community for efficiency.
- c) Cooperate in providing clarifications on Certificates of Origin whenever required.

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<sup>1</sup> Outward processing allows the goods to be taken out to a third country for some intermediate manufacturing operations

- d) Provide Advance Rulings on the eligibility of originating goods, thus, reducing the uncertainties of status of goods (at the importing country) for the traders.
- e) Enhance the application of risk management to focus on high-risk goods and facilitate the clearance of low risk consignments and develop risk management techniques in the performance of their customs compliance activities.

#### **CHAPTER 5: STANDARDS AND TECHNICAL REGULATIONS, SANITARY AND PHYTOSANITARY MEASURES**

1. This chapter allows for the conclusion of mutual recognition agreements (MRA). Two annexes covering electrical and electronic equipment and telecommunication equipment have been agreed. This means that products in these two sectors which are requirement to meet Indian standards and technical regulations will already be tested and certified in Singapore before export to India. The Agreement means that there will no long be a need to have the products re-tested or re-certified in India again. The products carrying the Singapore certification can be made available for sale immediately without having to be tested or certified in India. This therefore eliminates duplicative testing and certification, Cost and time to market are reduced, enabling these products to have an added competitive cost advantage versus those from countries without an MRA with India.
2. The MRAs in these two sectors will come into force in another year's time as India has to provide the needed laws to allow for foreign testing and certification and the use of their standards markings.
3. A third sector covered by this Chapter is on food products. The Agreement allows for Singapore to import three products, namely, egg products, dairy products and packaged drinking water that are certified to Singapore standards requirements and produced in pre-approved manufacturing establishments. This is a Singapore concession which also helps to diversify Singapore's import sources.

#### **CHAPTER 6: INVESTMENT**

The importance of free flow of investment between the two countries is explicitly recognized through the provisions in the CECA investment chapter. National treatment<sup>2</sup> accorded to individual investors, investments and enterprises is a first step in this regard. Some of the other key features are listed below:-

- a) Investments include every kind of asset ranging from movable and immovable property to portfolio investment and IPR, goodwill etc.
- b) The chapter accords National Treatment to investors and investments from both countries. The market access feature of this provision is subject to the commitments and reservations undertaken.
- c) Free transfer of capital, returns, proceeds of liquidation of investments, royalties, interest and other current incomes and payments. Such repatriation, is however, subject to restrictions of laws pertaining to bankruptcy, insolvency, criminal or penal offences etc.
- d) Protection of investments from discriminatory expropriation. Further, investors are protected through prompt compensation based on market value, access to seeking a judicial review etc. against the measures of expropriation.
- e) Investors are allowed access to the courts of justice and administrative tribunals and agencies in the usual degrees of jurisdiction. In addition, the investors can seek dispute settlement through consultations/negotiations or international arbitration tribunal once the investment is established.
- f) Investors are free to appoint their senior management (of any nationality). However, the parties to this agreement may require majority presence of national residents or members of particular nationality in the Board of Directors provided the investors' control of their investments is not materially impaired.

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<sup>2</sup> The principle of giving others the same treatment as one's own nationals.

- g) In the event of termination of this agreement, investments made prior to the date of termination shall continue to enjoy the protection provisions of this chapter for fifteen years.

## **CHAPTER 7: TRADE IN SERVICES**

For service suppliers in India and Singapore, there will be a greater degree of access to each other's markets. The key features of the Services chapter are listed below:-

- a) Market Access: India and Singapore will not restrict access to each other's services market by imposing quantitative restrictions, for example, there will not be any limitations on the number of service suppliers or on the total value of service transactions.
- b) National Treatment: In India, services suppliers from Singapore will be granted the same treatment (i.e., no discrimination) as local (Indian) service suppliers, and vice-versa.
- c) It is to be noted that market access and national treatment will be applicable only to certain specific sectors in which the two countries have undertaken commitments. The specific sectors and the schedule of commitments in each sector are listed in Annexes 7A (India's Schedule of Specific Commitments) and 7B (Singapore's Schedule of Specific Commitments) of the CECA document.
- d) Domestic Regulation: India and Singapore will ensure that their domestic regulations governing the provision of services are reasonable, impartial and objective.
- e) MRAs: Professional bodies in accounting and auditing, architecture, medicine (doctors), dentistry and nursing in Singapore and India will negotiate agreements that recognize each other's educational and professional qualifications. The agreements will be negotiated within a year of the signing of the CECA. On the completion of mutual recognition agreements,

professionals from India and Singapore in the above-mentioned professions could be able to practice freely in both the countries. More professional bodies in the two countries will be encouraged to enter into MRAs.

- f) Generally, the benefits of the CECA will extend to the citizens, permanent residents, local companies as well as foreign MNCs that are constituted or otherwise organized in India or Singapore. Companies wishing to supply audio-visual, educational, financial and telecommunication services, through commercial presence in India, would have to meet ownership or control criteria in order to benefit from the CECA.
- g) Both countries have committed to liberalise various service sectors beyond its WTO commitments. The sectors in which Singapore will get preferential access include business services, construction and related engineering services, financial services, telecommunication services, tourism and travel related services, and transport services.
- h) India will enjoy preferential treatment in business services, distribution services, education services, environmental services and transportation services.
- i) There are additional disciplines pertaining to financial services and telecommunication services. These have been added as Annexes to the Services Chapter.

#### Financial Services (Annex 7C)

1. Singapore owned or controlled financial institutions have been given greater privileges to access the Indian market. In banking, DBS, UOB and OCBC can each set up a wholly owned subsidiary in India to enjoy treatment on par with Indian banks in branching, places of operations and prudential requirements. If these Singaporean banks choose to set up as branches, they have been allocated a separate quota of 15 branches (for all three banks) over four years, over and above the quota for all foreign banks.

2. For asset management, Singapore owned or controlled fund managers have the additional privilege of offering Indian investors mutual funds and collective investment schemes (CIS) listed on the Singapore Exchange (SGX) as well as exchange traded funds (ETF). These instruments offered by asset managers in Singapore are free from the restriction that they must only invest in entities which have a stake in Indian companies. India has similarly lifted this limitation for India owned or controlled fund managers. Both Singapore and India owned or controlled fund managers can also invest an additional US\$250 million in equities and instruments listed on the SGX, including mutual funds, CIS and ETFs. This is in addition to the US\$1 billion cap that all asset managers can invest abroad.
3. Indian banks and financial institutions can take advantage of the CECA to expand their activities in Singapore. To this end, Indian banks that satisfy Singapore's admission criteria will be given Wholesale Bank licenses and up to 3 bank licenses with Qualifying Full Banks privileges. In addition, India insurers and capital market intermediaries that satisfy Singapore's admission criteria will have open access to set up in Singapore.

Telecommunication Services (Annex 7D)

1. India will bind its foreign equity limit from 25% to 49% for most services, including basic, cellular and long-distance services, and 74% for internet and infrastructure services.
2. India and Singapore will ensure that telecom service providers from the two countries are treated fairly and transparently and will be able to access each other's necessary public infrastructure to offer services. This is expected to create a more level playing field in India for telecom providers from Singapore.
3. On its part, Singapore has made binding commitments for telecommunication services such as Basic Telecommunication Services (facilities-based), Mobile Services, and Value-Added Network Services.



## **CHAPTER 8: AIR SERVICES**

1. India and Singapore have affirmed their rights and obligations under previous agreements and recognize the importance of air connectivity to support the expansion of tourism, trade and investments.
2. Both countries will review and enhance further air services linkages through the bilateral Air Services Agreement in future.

## **CHAPTER 9: MOVEMENT OF NATURAL PERSONS<sup>3</sup>**

1. This chapter deals with trade and investment flows by facilitating easier temporary entry for 4 categories of business persons from India and Singapore:-
  - a) Business visitors who are holders of five year multiple journey visa will be permitted to enter and engage in business activities for a period of up to 2 months, which upon request, may be further extended by up to 1 month.
  - b) Short-term service suppliers will be granted temporary entry to service their contracts for an initial period of up to 90 days in the first instance.
  - c) Professionals employed in 127 specific occupations will be allowed entry and stay for up to 1 year or the duration of contract, whichever is less.
  - d) Intra-corporate transferees (that is, managers, executives and specialists within organizations) will be permitted to stay and work in India and Singapore for an initial period of up to two years or the period of the contract, whichever is less. The period of stay may be extended for period of up to three years at a time for a total term not exceeding 8 years.
2. The chapter on the Movement of Natural Persons does not apply to measures regarding citizenship, residence or employment on a permanent basis. It also does

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<sup>3</sup> Adapted from the Ministry of Trade and Industry's Press Kit.

not apply to immigration measures as long as these immigration measures do not nullify or impair the commitments made by either country.

3. The chapter will grant Singaporean and Indian Citizens and Permanent Residents guaranteed entry and stay in each other's country as business visitors, short-term service suppliers, professionals and intra-corporate transferees.

#### **CHAPTER 10: E-COMMERCE**

1. India and Singapore are committed to promoting a liberalized environment for electronic commerce.
2. Between India and Singapore, trade in goods and services as well as investment through electronic medium will be subject to all the obligations between the two countries with respect to trade and investment through physical medium.
3. Exchange of digital products (such as software, e-books and e-movies) between the two countries through electronic means will not be subject to customs or other duties.
4. In India and Singapore, there will be no discrimination between local digital products and digital products of the other country.
5. Both countries are committed to ensuring transparency by making publicly available all relevant laws and regulations affecting electronic commerce.

#### **CHAPTER 11: INTELLECTUAL PROPERTY**

1. India and Singapore are committed to mutually beneficial cooperation in the field of intellectual property (IP), particularly in plant varieties.
2. The form of co-operation may include jointly organized training programs, symposia, seminars and workshops.

3. It also allows for joint collaboration between the two countries on projects to promote the effective use and application of IP.
4. The IP Academy, Singapore, and the Intellectual Property Training Institute, Nagpur, have been identified as the initial centers for cooperation in the two countries.
5. It is expected that cooperation and collaboration in IP will pave the way forward for collaboration between the two countries in the development of key IP programmes and IP infrastructure. Singapore and India will benefit mutually in terms of potential exchange on IP and IP-related training and education programmes. In addition, the mutual recognition of the importance of plant variety rights means that both Singapore and India will be able to consider cooperation activities in this field.

## **CHAPTER 12: SCIENCE & TECHNOLOGY**

1. Scientific and research communities in India and Singapore will be encouraged to closely collaborate with each other in research and development and in commercialization of technologies. The present agreement expands an earlier agreement on science and technology signed in 1995.
2. The agreement is geared towards harnessing the complementary capabilities available in the two countries. The areas of focus that have been identified for possible cooperation are marine and agricultural biotechnology, space research, advance materials and information technology.
3. The forms of cooperation can include exchange of information and data joint seminars, workshops and meetings; visits and exchange of scientists and technical personnel; and implementation of joint projects and programmes.
4. The parties will ensure effective protection of intellectual property rights arising from cooperative activities undertaken.

### **CHAPTER 13: EDUCATION**

1. This chapter provides for joint post-graduate programs between the Indian Institutes of Technology (IITs) and Singapore universities. These programs will focus on research and education with industrial linkages to companies from India and Singapore.
2. IIT Bombay and NUS recently signed a joint graduate engineering program. This is a first significant alliance with a foreign university by any IIT. This partnership is expected to yield some 40 MSc and eight PhD graduates annually.
3. This chapter also provides that degrees specified by the University Grants Commission of India, or an Institution of National Importance in India, and the universities in Singapore shall be recognized for the purposes of admission into the universities of both countries, provided that the relevant admission criteria are satisfied.
4. A Joint Committee on Education, comprising representatives from government and private sector, will be established to emphasize the key role of education in fostering relationship between the two countries.

### **CHAPTER 14: MEDIA COOPERATION**

1. This offers a platform for regulatory agencies from both the countries to work closely together. There will be exchange of views between the two parties on policy and regulatory issues concerning media services, approach to regulation of content, and promotion of private sector activities.
2. Some of the potential areas of collaboration are digital media and convergent services, intellectual property rights, education and training, co-production of film and television content, distribution and marketing, and research and development.

## **CHAPTER 15: DISPUTE SETTLEMENT**

A very detailed, clear and transparent set of procedures have been laid down under the CECA for any disputes arising between the parties to the agreement, trading community, business partners etc. Rules and procedures for appointment, constitution and proceedings of Arbitral Tribunals have been specified for effective dispute settlement. This conforms to the standards similar to that of the WTO, thereby enhancing the rule of law in international trade.

### **DOUBLE TAXATION AVOIDANCE AGREEMENT (DTA)**

The DTA has been extended and reviewed under the CECA, last signed by both countries in 1994. The capital gains concession has been extended to Singapore. Accordingly, capital gains from the sale of shares earned by a Singapore resident in India will be liable to tax only in Singapore. Since currently there is no capital gains tax in Singapore, residents of Singapore will face no such taxes for investments in India.

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Prepared By : Institute of South Asian Studies  
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