

1 **The USSFTA: A Personal Perspective**

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This is the story of the vision to conclude a free trade agreement between the United States and Singapore. It is the story of how that vision was eventually realised.

THE BACKGROUND

1982: Bill Brock's Proposal

The journey began in 1982. At that time, the United States Trade Representative (USTR) was Senator Bill Brock of Tennessee. Senator Brock had an able young staffer called Doral Cooper. She was an early supporter of the Association of Southeast Asian Nations (ASEAN). She persuaded Senator Brock to propose the idea of concluding a free trade agreement between ASEAN and the United States. ASEAN was, however, not ready for such a bold idea and did not take up Senator Brock's proposal.

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1984 to 1990: In Washington

From 1984 to 1990, I served as the Ambassador of Singapore to the United States. During my tenure in Washington, I became a good friend of Doral Cooper and tried to revive Senator Brock's proposal. At that time, neither ASEAN nor the U.S. was receptive to the idea. I tried to promote the alternative idea of a free trade agreement between the U.S. and Singapore, and of using Singapore as a stepping stone to an eventual U.S.-ASEAN agreement. I left Washington in 1990 with this dream unfulfilled. I had hoped, however, that one day my dream would come true.

1992: Zoellick and Lavin

The current USTR, Bob Zoellick, had stated that in 1992 he had proposed the idea of a free trade agreement between the U.S. and Singapore. On 6 October 1992, the current U.S. Ambassador to Singapore, Frank Lavin, who was then the Deputy Assistant Secretary of the U.S. Commerce Department, spoke to the Heritage Foundation. In his speech, entitled "After NAFTA: Free Trade and Asia", Ambassador Lavin proposed that the U.S. should consider entering into free trade agreements with several economies in Asia, such as Singapore, Taiwan, Australia and New Zealand. It is fortuitous that eight years after that speech he would be posted to Singapore as the U.S. Ambassador.

The Age of Multilateralism

In the 1990s, the intellectual climate surrounding the debate on multilateralism, regionalism and bilateralism in trade policy began to change. In the beginning, the moral consensus was clearly in favour of multilateralism. The near universal preference was to bring all trade problems and initiatives to the General Agreement on Tariffs and Trade (GATT) (and subsequently to the World Trade

Organization (WTO)) and to negotiate global solutions and agreements. Regional arrangements such as the European Common Market and North American Free Trade Agreement (NAFTA) were regarded as undesirable aberrations which threatened to divide the global trading system into rival blocs. Bilateral trade agreements were viewed in an equally poor light.

APEC's Endorsement of FTAs

The pendulum began to swing the other way as the WTO expanded its membership and as its greater number and diversity made it increasingly difficult to arrive at agreements. As the pendulum moved, the idea that bilateral and regional agreements might not be harmful but could actually help the global system, gained ground. The argument is that bilateral and regional agreements, which are consistent with the WTO and which set higher standards than the WTO norm, could help to spur the global system to embrace those higher standards. In 1999, the Asia-Pacific Economic Cooperation (APEC) Leaders, at their annual Summit in New Zealand, endorsed the legitimacy of using bilateral free trade agreements as a means to achieve multilateral trade liberalisation. Today, bilateral, plurilateral, regional and inter-regional free trade agreements are all regarded as legitimate instruments of trade liberalisation as long as they are deemed to be WTO-consistent and WTO-plus.

U.S.-Singapore Relations

The Singapore government's relationship with the Clinton Administration was not good during President Clinton's first term because of the Michael Fay incident. During President Clinton's second term, he sent a new Ambassador, Steven Green, to Singapore. Green had been a very successful businessman. Although this was his first diplomatic posting, he performed brilliantly and helped to turn U.S.-Singapore relations around.

Steve Green's Initiative

In November 2000, the then USTR, Charlene Barshefsky, stopped over in Singapore en route to the APEC Leaders' meeting in Brunei. She asked to pay a farewell call on the Senior Minister. Although the mandate of the Clinton Administration would expire in two months, Steve Green persuaded Barshefsky to broach the idea of launching the U.S.-Singapore FTA with the Senior Minister. The Senior Minister conveyed the message to Prime Minister Goh, who had already left for Brunei. Since the idea was hatched in Singapore, between Charlene Barshefsky and Steve Green, the other leaders of the Clinton Administration, such as Secretary of State Madeleine Albright and National Security Adviser Sandy Berger, were not aware of it. For the idea to prosper, it was necessary for Prime Minister Goh to pitch it directly to President Clinton. During the Summit, Prime Minister Goh invited President Clinton to play a game of golf with him. President Clinton agreed and, after reviewing his crowded schedule, proposed playing after the state dinner on 15 November 2000.

Golf Diplomacy in Brunei

During the dinner, the sky opened up and unleashed a tremendous thunderstorm. When the dinner ended, the storm continued to rage. The faint-hearted among the Prime Minister's staffers asked him whether to call the game off. The Prime Minister said "no" and so the two leaders proceeded to the golf course in a driving rain. Miraculously, when they arrived, the storm passed and the rain stopped. At 11.45 pm, the two leaders started their game. After the game, at around two in the early hours of 16 November, the two leaders went to the clubhouse for coffee. It was during this time that Prime Minister Goh made his case to President Clinton for an U.S.-Singapore FTA. President Clinton accepted the Prime Minister's proposal and reasoning. Later that day, at 6.00 pm on 16 November

2000, the two leaders issued a joint statement launching the U.S.-Singapore FTA (see Appendix I).

A Fateful Call at the West Lake

On 16 November 2000, I was in Hangzhou, China, carrying out my responsibility as a Visiting Professor to Zhejiang University. I was accompanied by my good friend from the Asia-Europe Foundation, Cai Rongsheng. I had delivered a public lecture in the morning and was hosted to an enormous lunch by the President of the University. After lunch, I asked to be taken to the West Lake to admire the scenery and to clear my head before addressing a faculty seminar in the afternoon. While standing on the bank of the West Lake, I received a call on my cell phone from Neo Gim Huay of the Ministry of Trade and Industry. She said Minister George Yeo wanted to speak to me. The Minister told me that earlier that morning the Prime Minister and President Clinton had agreed to launch the U.S.-Singapore FTA. He said the Prime Minister had asked him to check with me whether I would be willing to be Singapore's chief negotiator. I told the Minister that I would be delighted to do so. I was so happy that fate was giving me a second chance to fulfill one of my dreams.

THE RATIONALE FOR THE FTA

Why does Singapore want an FTA with the U.S.? Why does the U.S. want an FTA with Singapore?

Singapore's Reasons

Singapore wants an FTA with the U.S. for a combination of economic and strategic reasons. The U.S. is Singapore's largest foreign investor and second largest trading partner. The U.S. is also Singapore's most important source of technology and management

know-how. Singapore's interest in the U.S., however, transcends business and economics. Singapore wishes to entrench the presence of the U.S. in the region because it underpins the security of the whole Asia-Pacific region. Singapore regards the U.S.-Singapore FTA as a symbol of continued U.S. commitment to the region. Therefore, for Singapore, the USSFTA is not just about securing tariff-free entry for Singapore's exports to the U.S. market. It is not just about attracting more Foreign Direct Investment (FDI) to Singapore. It is also about enhancing the prospects of peace and stability in the region.

The U.S.'s Reasons

I am, of course, only speculating when I suggest that the U.S. may want an FTA with Singapore for the following reasons. Singapore is U.S.'s 11th largest trading partner in the world and the largest in Southeast Asia. The U.S. exports more to Singapore than it does to Indonesia, India, Brazil or Egypt. The U.S. has a cumulative FDI of US\$30 billion in Singapore. There are over 1,500 U.S. companies operating in Singapore and 17,000 American residents in Singapore. Singapore is the 2nd largest Asian investor in the U.S., after Japan. Therefore one reason for the FTA would be that the U.S. has a substantial economic stake in Singapore. Also, an FTA with Singapore could serve as a template for the U.S. in its negotiations with other Asian countries and economies. The U.S. might also have wished to use the USSFTA to signal to ASEAN and East Asia that it is committed to the region.

It has been said that U.S. international trade policy is driven, in part, by commercial interests and, in part, by strategic interests. Sometimes, as in the cases of Canada and Mexico, there is a congruence of U.S. economic and strategic interests. In other cases, such as Israel and Jordan, the interests are more strategic than economic. In the case of Singapore, the U.S. has a congruence of

economic and strategic interests. How does Singapore contribute to U.S. strategic interests in the region and the world?

Singapore is not a treaty ally but a close partner of the United States. The two countries share a common worldview and threat perception. The U.S. does not have bases in Singapore, but it has access to Singapore's naval and air facilities. Singapore was the first Asian country to join the U.S. Container Security Initiative. Singapore was a member of the 1991 Gulf War coalition. Singapore supported the U.S. war against the Taliban in Afghanistan. Since 11 September 2001, Singapore has supported the U.S.-led war against terrorism. In 2003, Singapore joined the coalition for the immediate disarmament of Iraq. Singapore has sent police officers to train the new Iraqi police force. Singapore has also sent ships, aircraft and armed personnel to undertake logistical and peace-keeping duties in the Gulf. Singapore is an important stop-over for U.S. armed forces, moving from their bases in Northeast Asia, to Diego Garcia in the Indian Ocean and westward to the Middle East.

IMPLICATIONS FOR ASEAN

I have often been asked whether Singapore's bilateral free trade agreements, especially the one with the U.S., are harmful to ASEAN. My answer is that they not only do no harm but actually help ASEAN. One criticism is that the USSFTA may serve as a back door for the U.S. to gain entry to the ASEAN market through Singapore. This is without merit because a product must satisfy the requirements of the rules of origin before it can be regarded as a product of Singapore origin. A product made in the U.S. will not qualify as a product of Singapore origin.

Singapore does not seek an exclusive relationship with any of its FTA partners. On the contrary, Singapore would like its FTAs to serve as building blocks for FTAs between ASEAN and the different FTA partners. Thus, Singapore is gratified that its FTA with Japan will lead to a comprehensive economic partnership agreement

between ASEAN and Japan. In the same way, Singapore would like its FTA with the U.S. to lead eventually to an FTA between the U.S. and ASEAN. Singapore was therefore very pleased when President Bush announced, at his meeting with ASEAN leaders, in Los Cabos, Mexico, in 2002, the Enterprise for ASEAN Initiative or EAI. Under the EAI, the U.S. would negotiate either a trade and investment framework agreement (TIFA) or a free trade agreement with like-minded ASEAN countries. The U.S. and Thailand have agreed to launch negotiations for an FTA. Singapore and India are currently negotiating an FTA which will probably be concluded this year. Singapore hopes that its FTA with India will pave the way to an eventual FTA between India and ASEAN. Singapore is therefore not a lone ranger, as some of its critics have alleged, but a path finder for ASEAN. Singapore's FTA policy is intended to benefit and not harm ASEAN.

THE UNIQUE EXPERIENCE OF NEGOTIATING WITH AMERICA

Another question which I have been asked is whether the experience of negotiating with the U.S. is different from my experiences of negotiating with other countries. My answer is "yes". The following are some lessons I have learnt about America and the way in which she negotiates.

Uniqueness of U.S. Democracy

First, the U.S. democracy is unique. Normally, when you negotiate with another country, your negotiating partner is the executive branch of that government. However, when you negotiate with the U.S., you have no choice but to negotiate not only with the administration but also with the United States Congress, U.S. business and industry and the civil society. This is necessary because the U.S.

political system is a system of checks and balances. It is a system in which power is dispersed and there are many stakeholders in the decision-making process. Therefore, a top-down approach can work in Singapore but it cannot work in the U.S. Prime Minister Goh had the power to conclude an FTA with the U.S. without having to consult Parliament, business and industry and the civil society. President Clinton did not have such power. The situation in Singapore is, however, evolving with the private sector and civil society taking advantage of the consultation processes to articulate their views and interests.

U.S.'s Need for Time to Forge Consensus

Second, evolving a consensus between the executive and legislative branches of the U.S. government and among the different departments and agencies of the executive branch takes time. Unlike Singapore, the different departments and agencies of the U.S. government very often have their own institutional interests, agendas, demands, sub-cultures, historic memories, preferences and prejudices. The USTR's role is that of coordinator, convenor, facilitator and negotiator. Although the USTR is the lead agency, it cannot speak for or deliver other powerful departments, such as State, Treasury, Commerce, Defence or the Customs Service. The USTR is, in fact, a very small agency. With a very small team, it nevertheless performs its tasks admirably.

Intensive and often protracted inter-agency meetings must take place first before the USTR is in a position to negotiate with a foreign country. In the case of the USSFTA, we had to wait for 18 months before the U.S. was in a position to table its proposal for the chapter on investment. A foreign country can help to move the process along by lobbying the relevant department or agency and by helping to alleviate their concerns or to find solutions to their problems. To its credit, the USTR never asked Singapore to speak to any of the departments or agencies during the negotiation.

Consulting the Congress

Third, the Congress cannot be ignored. Because of the unique circumstances surrounding President Clinton's and Prime Minister Goh's decision to launch the USSFTA, President Clinton had not consulted the relevant Congressional leaders in advance. Consequently, they were upset. Minister George Yeo and our Ambassador in Washington, Chan Heng Chee, worked very hard to persuade the Congressional leaders to support President Clinton's decision. During the two years when the negotiations were taking place, Minister Yeo and Ambassador Chan regularly updated the Congressional leaders, both Republicans and Democrats, on the status of the negotiations, answered their questions and responded to the concerns of their constituents. We were careful to make sure that our supporters in the Congress came from both parties. In the end, we succeeded in creating a bi-partisan Singapore Congressional Caucus with Congressman Solomon Ortiz, a Democrat, and Congressman Curt Weldon, a Republican, as co-chairs. The caucus has 59 members in the House of Representatives (see Appendix II).

Necessity to Work with U.S. Business

Fourth, I know of no other country in the world in which business enjoys such a pervasive influence as in the United States. There is truth in the dictum that the business of America is business. An important objective of U.S. trade policy is to advance the interests of U.S. business and industry. We therefore decided, from the beginning of the negotiation, to be pro-active and to reach out to every important business organisation. These included the U.S. Chamber of Commerce, the National Association of Manufacturers, the U.S.-ASEAN Business Council and others. We also reached out to associations which represent specific industries, such as the pharmaceutical industry, the software industry, the services industry, the financial services industry, the music industry, the

movie industry, the logistics industry, etc. We even reached out to individual companies, such as Amway and Wrigley. As a result of our hard work, we managed to build a powerful U.S.-Singapore FTA Business Coalition, comprising 75 members and co-chaired by Boeing, Exxon Mobil and UPS, to support the FTA (see Appendix III).

Power of U.S. Civil Society

In his classic book, *Democracy in America*, Alexis de Tocqueville observed that the U.S. had a vibrant civil society. This has remained a constant feature of life in America. The civil society probably enjoys more power and influence in America than in any other democracy. In the U.S., an initiative driven by people power or civil society can sometimes either defeat a government policy or compel a government to adopt a new policy. It was therefore wise to think of a strategy to engage the U.S. civil society in order to build support for the FTA and to prevent the emergence of any pressure group or interest group to oppose it. My nightmare scenario would have been an anti-USSFTA coalition consisting of organised labour, the human rights lobby and the green movement. We encouraged our trade union movement, NTUC, to engage the AFL-CIO, in a dialogue which culminated in a joint statement welcoming the USSFTA (see Appendix IV). I had hoped that the AFL-CIO would therefore support the USSFTA. I was disappointed that it did not do so. However, it agreed not to campaign against it and not to punish the members of Congress who voted in its favour.

THE NEGOTIATING PROCESS

Every negotiation is unique. No two negotiations are alike because each negotiation has its own agenda, its challenges and complexities, its cast of negotiators, its tone and momentum. Every negotiation between two or more countries is also a cross-cultural

experience. The USSFTA's negotiating process is therefore different from other negotiating processes. Let me describe some of its special features.

First, the USSFTA was started by the Clinton Administration and concluded by the Bush Administration. Conscious that the negotiation would straddle two administrations, Ambassador Chan Heng Chee and I contacted our close friends in the incoming Republican Administration in order to ensure that they would support the negotiation when they joined the new administration. Thus, during the first and second rounds of the negotiations in Washington, in December 2000 and January 2001 respectively, we met with USTR Bob Zoellick, Deputy Secretary of State Richard Armitage and Deputy Secretary of Defence Paul Wolfowitz, to brief them. They assured us that the Bush Administration would support the USSFTA. There was, however, a four-month interval, between the second round in January 2001 and the third round in May 2001 because the new administration needed time to organise itself and to formulate its policy. We were grateful that in this case, the new administration did not repudiate an initiative started by the previous administration.

Second, in the joint statement issued by President Clinton and Prime Minister Goh, the two leaders stated that they had "directed Ambassador Charlene Barshefsky and Minister George Yeo to endeavour to conclude negotiations before the end of the year". This was mission impossible. Under U.S. law, the Clinton Administration had to inform the public of its intention to negotiate with Singapore. The public was given six weeks to give its inputs and comments. The administration had to analyse and consider the public's responses in formulating its negotiating strategy and demands. At the same time, the administration had to consult Congress and obtain its blessings. The USTR had to begin the elaborate process of consulting the various relevant departments and agencies and to forge an internal consensus. All these activities would take time, much more time than the two months remaining in

the life of the Clinton Administration. Therefore, when my government instructed the delegation to proceed to Washington in December 2000, and to stay for as long as was necessary in order to conclude the negotiation, I knew in my heart that the job could not be done in such a short time. At our first meeting in Washington, on 4 December 2000, the U.S. Chief Negotiator, Ralph Ives, and I agreed that the negotiation could not be concluded in one or two months. It took us 24 months to conclude the main negotiation. We needed an extra two months to wrap up the balance of payments issue.

Third, January 2001 was the month in which power was transferred from the Clinton to the Bush Administration. At the insistence of the Clinton Administration, we held our second round from 10 to 17 January during which a difficult issue arose. The Clinton Administration proposed that the two governments should adopt a joint declaration to lock in the progress which had been achieved during the first two rounds. Since not much progress had been made, there was not much substance to lock in. I felt that the real agenda of the Clinton Administration was to lock in the U.S.-Jordan FTA's templates on labour and environment (see Appendix V) and to prevent the incoming Bush Administration from watering down those templates. In announcing the launch of the FTA, President Clinton and Prime Minister Goh had referred to the U.S.-Jordan FTA as the model. However, we were not sure whether some of the templates in that FTA were acceptable to the incoming administration and did not want to tie our hands. We succeeded in persuading our U.S. counterparts to use the joint statement (see Appendix XX) as a through train between the Clinton and Bush administrations.

Fourth, negotiations succeed best when the rapport between the negotiators is good and when they share a bond of mutual trust and confidence. Therefore, from the commencement of the negotiation, I urged all my colleagues to build rapport with their American counterparts and to conduct themselves in such a way as to earn their respect and trust. I told my colleagues that we should use the negotiating experience to expand our personal networks in America

and to build goodwill between our two governments and countries. I also urged my colleagues to indulge in “makan diplomacy” or “dining diplomacy”. Eating together is a bonding exercise. I am very pleased to say that the good rapport and friendships between the U.S. and Singapore negotiators created a happy ambience for our work and contributed to the success of our negotiations.

Fifth, the USSFTA has 21 chapters. Ralph Ives and I agreed to create 21 negotiating groups,² one for each chapter. In each negotiating group, we appointed a lead negotiator. Several of the more experienced negotiators were asked to be the lead negotiator in more than one group. My deputy chief negotiator, Ong Ye Kung, and I supervised the work of all the negotiating groups. During the negotiating sessions, we would ask each lead negotiator to report on the work in his or her negotiating work at our daily delegation meeting. Ye Kung and I would, whenever necessary, suggest solutions to problems encountered. In-between sessions, we would meet with our colleagues in the different negotiating groups in order to take stock of their progress and to assist them in preparing for the next round.

Sixth, what role did personalities play in the success of the negotiations? As a general rule, the success or failure of a negotiation is, in part, dependent upon the ability and character of the negotiators. In the case of the USSFTA, much of the credit must go to the two Ministers, George Yeo and Bob Zoellick. The two Ministers are intellectually brilliant, very focused on both the big as well as the small pictures, and enjoy a high regard for each other. During the two years of negotiation, the two Ministers met several times, often on the sidelines of other meetings. Each time, they would take stock of progress, discuss the problems encountered, suggest possible ways of moving forward and energise their two delegations. On the final day of the final round in Singapore, the

² Refer to Appendix VI.

negotiation was held at the ministerial level. I would like to pay a tribute to my U.S. counterpart, Ralph Ives, and to my deputy chief negotiator, Ong Ye Kung. Ralph Ives is an outstanding trade negotiator and a gentleman. I would describe Ye Kung as the most valuable player in the Singapore team. He contributed to the solution of more problems than any other member of the Singapore delegation. I would also like to put on record my gratitude to the entire Singapore delegation. I had a great team and we enjoyed the experience of working together.

Seventh, the work of the negotiations was done both during the 11 formal rounds and in many inter-sessional meetings. Inter-sessional meetings can play an important part in the life of a negotiation. This was true in the case of the USSFTA. I remember that between the first and second rounds, Martin Walsh led a fact-finding mission to visit Singapore in order to see the Singapore port, to visit Batam and to understand the labour conditions in Singapore. On another occasion, the new U.S. lead negotiator on textile, David Spooner, led a delegation to visit Singapore in order to get a better sense of Singapore's textile and garment industry. I recall that other inter-sessional meetings were held in Washington, with our negotiating groups on goods, services, textile, telecommunications and financial services.

Eighth, extensive use was made of email, audio-conference and video-conference, as modalities of negotiation, in between negotiating rounds. Sometimes, we would start with email. At a certain point, we would decide to have a audio-conference in order to clarify certain issues or to have a more spontaneous exchange. At other times, we would hold a video-conference, which is the next best thing to meeting face-to-face. Information and communication technology is a wonderful thing. There is, however, still no substitute for face-to-face interaction.

Ninth, what was the nature of the internal decision-making process in Singapore? At the apex was the Cabinet. During the

course of the negotiation, the delegation submitted several papers to the Cabinet to ask for new instructions. Under the Cabinet was a committee consisting of Deputy Prime Minister Lee Hsien Loong, as Chairman, and the Ministers of Trade and Industry, Foreign Affairs and Finance. The delegation met this Cabinet committee on several occasions. The deputy chief negotiator and I held a number of consultations with representatives of different ministries and agencies. These meetings were always helpful as we needed some of the ministries, such as Finance, to modify certain long-standing policies of the government. We had also convened meetings involving a large number of stakeholders from various statutory boards and government-linked companies in order to brief them on certain developments in the negotiations and to seek their help. We had also held meetings to brief the private sector on the negotiations and to solicit their feedback and cooperation.

BENEFITS OF THE USSFTA FOR SINGAPORE

First, the FTA will result in improved market access and tariff savings for Singapore's exports to the United States. The U.S. will abolish import duties on all goods originating from Singapore. We calculate that we will achieve tariff savings of S\$178 million in the chemical industry (HS³ 28-38); S\$54 million in the minerals industry (HS 25-27); S\$4 million in the instrumentation equipment industry (HS 90); and S\$16 million in several other sectors. The biggest beneficiaries will be the U.S. companies based in Singapore. They account for 60 percent of Singapore's exports to the United States.⁴

³ The Harmonised System (HS) codes is an international method of classifying products for trading purposes. This classification is used by customs officials around the world to determine the duties, taxes and regulations that apply to the product.

⁴ These figures were based on the year 2000 Singapore trade statistics.

Second, the merchandise processing fee of 0.21 percent ad valorem, imposed on all imports entering the U.S. will be waived for goods originating from Singapore. We calculate the waiver to be worth S\$51 million annually.

Third, Singapore-based companies will be able to take advantage of the value-added rule of origin and the integrated sourcing initiative for a wide range of products, including components in the Information and Communication Technology (ICT) industry and the medical equipment industry. The USSFTA, like Singapore's other FTAs, recognises the realities of distributed manufacturing in the region and allows the accumulation of value-add in Singapore, as the product and its components shuttle to and fro between Singapore and the neighbouring countries.

Fourth, the textile and garment industry will enjoy a competitive price advantage of 5–15 percent for such goods originating from Singapore provided they use Singapore-made or U.S.-made yarn or fabric. The industry will have to restructure in order to take advantage of this development. Singapore's manufacturers should explore the possibility of sourcing yarn from the U.S. or diversify into using synthetic fabrics which can be produced by our chemical industry.

Fifth, the vessel repair duty will be waived for Singapore. This duty is assessed on the basis of 50 percent of the value of repair work done on U.S. ships outside the United States. We estimate this waiver to be worth S\$7.7 million per annum.

Sixth, Singapore's service suppliers are guaranteed access to the U.S. market. This includes such important sectors as information and communication technology and financial services. Singapore's service suppliers will be accorded the same treatment as that accorded to an U.S. service supplier by any of the 50 states of America.

Seventh, professional bodies from the U.S. and Singapore, especially those in architecture and engineering, will consult in order to develop mutually acceptable standards and criteria for licensing and certification of professional service providers.

Eighth, both U.S. and Singapore-based companies will enjoy increased protection for intellectual property rights. Singapore will amend its IP laws in line with technological changes and international developments. It will accede to World Intellectual Property Organization (WIPO) treaties on copyright and implement anti-circumvention measures, amongst others. Singapore will have the best Intellectual Property Rights (IPR) regime in Asia. This is likely to attract more FDI to Singapore, especially in the knowledge-intensive industries.

Ninth, Singapore's investors in the U.S. will enjoy strong protection under the FTA. An aggrieved Singaporean investor can take the U.S. government to an international arbitration tribunal if it feels that the U.S. has acted in breach of its obligations under the FTA.

Tenth, the U.S. will make two changes to its visa system for Singapore. The U.S. will extend the E1 and E2 visas to Singapore. E1 visa is available to traders with enterprises engaged in trade with the U.S. The E2 visa is available to investors who have invested or are actively in the process of investing a substantial amount of capital in the United States. The E1 and E2 visa holders and their spouses can extend their stay in the U.S. indefinitely. In addition, the U.S. will grant Singapore a special quota of 5,400 visas (H1B1) a year. This category applies to professionals such as IT personnel. Unlike the H1B visa, employers of such visa holders need not satisfy the market test, i.e., they do not have to show that there is no American who can do the job. The visa is renewable on an annual basis with no limit.

SIGNATURE AND RATIFICATION

On 30 January 2003, President Bush notified Congress of his intention to enter into the FTA with Singapore. Under the Trade Promotion Authority Act, the President had to give Congress 90 days notice before he could sign the agreement. On 7 March 2003,

the USTR released the draft of the 800-page text of the agreement. Of the Administration's 31 trade advisory committees, all except the Labour Advisory Committee, endorsed the agreement.

In the meantime, the Singapore Embassy and the U.S. Chamber of Commerce in Washington, the U.S.-ASEAN Business Council, the U.S. Embassy and the American Chamber of Commerce in Singapore, waged a campaign to build support for the FTA, in the Congress and in the U.S. business community. I must express my deep gratitude to Tom Donohue, Myron Brilliant and Erin Pham of the U.S. Chamber of Commerce in Washington D.C., to Ernie Bower of the U.S.-ASEAN Business Council, and to Landis Hicks, Kristin Paulson and Nick de Boursac of the American Chamber of Commerce in Singapore for their wise counsel and sterling support. I must also express my admiration for the brilliant manner in which Ambassador Chan Heng Chee and her team garnered support for the FTA and orchestrated its passage through the U.S. Congress. Thanks are also due to the U.S. Ambassador to Singapore, Frank Lavin, and his team at the U.S. Embassy in Singapore (see Appendix VII).

The USSFTA was signed by President Bush and Prime Minister Goh at the White House on 6 May 2003. The statements of the two leaders are attached in Appendix VIII.

The agreement was approved by the House of Representatives, on 24 July 2003 by a vote of 272 in favour and 155 against. The Senate approved the agreement on 31 July 2003 by a vote of 66 in favour and 32 against. The agreement came into force on 1 January 2004. The chapter on intellectual property rights will come into force on 1 July 2004.

CONCLUSION

I am very pleased that my dream of the United States-Singapore Free Trade Agreement has come true. I hope that this will lead, step by step, to an eventual U.S.-ASEAN FTA. I am confident that the USSFTA will increase the flows of trade and investment between

the U.S. and Singapore; increase Singapore's attractiveness as a destination for U.S. FDI; and create jobs for Singaporeans. The USSFTA is also a shining symbol of the close partnership which exists between our two countries. The joint ministerial committee to be established under the USSFTA will constitute an important institutional link between the two countries.