

Trade

UK-Singapore Free Trade Agreement Effective From 1 January 2021: Ensuring Trade Continuity Post-Brexit

Introduction

On 1 January 2021, the UK-Singapore Free Trade Agreement ("**UKSFTA**") took effect via provisional application, enabling the United Kingdom ("**UK**") and Singapore to apply treaty commitments under the UKSFTA on a provisional basis until it is ratified by both countries and enters into force. The UKSFTA aims to ensure trade continuity between Singapore and UK following the Brexit Transition period which expired on 31 December 2020, which had meant that the existing EU-Singapore Free Trade Agreement ("**EUSFTA**") stopped applying to UK-Singapore trade. The UKSFTA allows companies to continue enjoying the same benefits under the EUSFTA when trading between Singapore and UK. This was announced in the Ministry of Trade and Industry Singapore's ("**MTI**") [press release dated 31 December 2020](#).

Based on the [Joint Ministerial Statement](#) by Singapore and UK, UK is amongst Singapore's top three European trading partners and is its top investment destination in Europe. On the other hand, Singapore is UK's largest trade and investment partner from the Association of Southeast Asian Nations ("**ASEAN**"). The UKSFTA covers more than S\$30.5 billion (approximately £17 billion) of bilateral trade in goods and services. Given the existing trade volume and synergies between the two countries, we encourage you to review the UKSFTA closely to continue to take advantage of benefits now provided under the UKSFTA that were provided under the EUSFTA, and new benefits that the UKSFTA offers.

This update hence highlights the [key benefits](#) under the UKSFTA, which include, amongst others, elimination of tariff for goods trade, liberal and flexible rules of origin ("**ROO**"), EU & ASEAN cumulation, reduction of technical and non-tariff barriers, enhanced market access to the services sector, more opportunities in government procurement, and enhanced intellectual property rights.

Tariff Elimination for Goods Trade

Singapore and UK will maintain the same timeline for tariff reductions as the EUSFTA. This means tariffs remain eliminated for 84% of all tariff lines for all Singapore products entering the UK with effect from 1 January 2021. Similar to the EUSFTA, tariffs on virtually all remaining products will be removed by 21 November 2024.

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Liberal and Flexible ROO for Key Exports

The UKSFTA provides for liberal and flexible ROO for the UK and Singapore's key exports to each other's markets, such as automobiles, chemicals, clothing and textiles, electronics, machinery, pharmaceuticals, and petrochemicals.

Singapore companies producing or manufacturing Asian food products continue to enjoy enhanced market access in the UK. Examples of these Asian food products are *har gow* (prawn dumpling) and *sambal ikan bilis* (spicy crispy anchovies). These food products can enter the UK tariff-free under flexible ROO up to an annual combined quota of 350 tonnes. Under the flexible ROO applicable to such Asian food products, while it must be shown that the products were made in Singapore, there is no need to ensure that the ingredients used were grown or produced in Singapore.

EU and ASEAN Cumulation

Under the UKSFTA, Singapore and UK companies can continue to use EU materials and parts in their exports to each other's markets. Likewise, materials and parts sourced from ASEAN member states that are used by Singapore companies may qualify under the ROO for exports to the UK, when the relevant arrangements are put in place. This enables such products to qualify for preferential treatment more easily, which will facilitate trade between the two countries.

Reduction of Technical and Non-tariff Barriers

The UKSFTA eliminates unnecessary technical barriers to trade, and are aimed at reducing operational costs for Singapore and UK exporters. The aim is to create a level playing field for companies from both countries, thereby facilitating trade between Singapore and UK. Sectors that will benefit from this include electronics, motor vehicles and vehicle parts, pharmaceuticals, renewable energy, and meat and meat products.

Enhanced Market Access to Services Sector

The UKSFTA provides enhanced market access for service providers, professionals and investors, and will create a level playing field for businesses in each other's markets. The agreement covers services such as architecture, engineering, management consultancy, advertising, computer-related, environmental, postal and courier, maintenance and repair of ships and aircraft, international maritime transport, and hotels and restaurant services.

The UKSFTA will also support financial services in trade and investment in both countries. Existing UK Qualifying Full Banks ("QFB") in Singapore will also be allowed to expand their footprint, e.g. by establishing additional customer service locations in Singapore.

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More Opportunities in Government Procurement

The UK will also grant Singapore companies enhanced access to participate in UK government procurement opportunities at both the city and municipal level. Companies that will benefit include those in the transport, financial services and utilities sectors.

Enhanced Intellectual Property Rights

The UKSFTA allows both countries to continue enjoying the benefits of a comprehensive Intellectual Property Rights chapter which includes copyright, enforcement and geographical indications.

Concluding Words

The UKSFTA not only maintains the same benefits that Singapore and UK companies were receiving under the EUSFTA but broadens opportunities for companies of either country. We strongly encourage businesses to look into this development, whether to manage the need to reorganise business structures given Brexit, to establish new markets, or to entrench their position in the market. Particularly in globally uncertain times such as these, we encourage businesses to make use of every available benefit when doing so.

If you have any queries on the above development, please feel free to contact our team members below who will be happy to assist.

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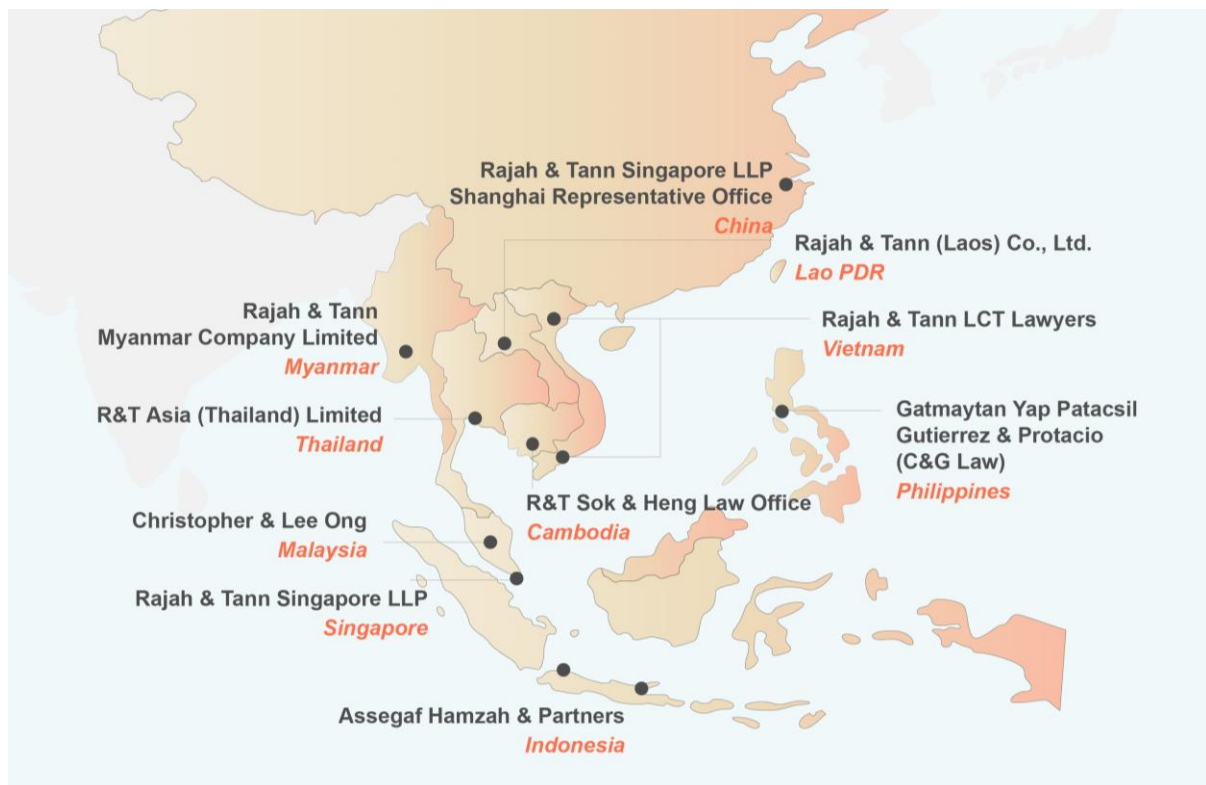
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