

**STATEMENT ON HOW
THE U.S.-SINGAPORE FREE TRADE AGREEMENT
MAKES PROGRESS IN ACHIEVING
U.S. PURPOSES, POLICIES, OBJECTIVES, AND PRIORITIES**

A. INTRODUCTION

The United States-Singapore Free Trade Agreement (FTA) makes progress in achieving the applicable purposes, policies, objectives, and priorities of the Bipartisan Trade Promotion Authority Act (TPA act). This Statement describes how and to what extent the applicable purposes, policies, objectives, and priorities are achieved through the FTA.

The U.S.-Singapore FTA is the first U.S. free trade agreement with an Asian country. In addition to eliminating tariffs on all trade in goods between the United States and Singapore, the agreement will substantially reduce barriers to bilateral trade in services and investment, and includes state-of-the-art provisions addressing such key areas as intellectual property rights, electronic commerce, customs and trade facilitation, dispute settlement, and labor and environmental protection.

Along with the recently signed free trade agreement with Chile, the Singapore FTA is one of the most far-reaching trade and investment agreements the United States has ever concluded. A variety of the agreement's provisions will serve as useful benchmarks for future free trade agreements with other advanced economies in the Asia-Pacific region. The FTA forms an integral part of the Administration's larger strategy of opening markets around the world through global, regional, and bilateral trade and investment initiatives.

The U.S.-Singapore FTA meets or exceeds the applicable purposes, policies, objectives, and priorities that the Congress spelled out in the TPA act. Accordingly, President Bush strongly believes that the Congress should approve the FTA and enact the legislation needed to implement the agreement.

B. OVERALL TRADE NEGOTIATING OBJECTIVES

The TPA act sets out a variety of "overall trade negotiating objectives" that call for future U.S. trade agreements to: (1) open markets by eliminating or reducing barriers to and distortions of trade and creating market opportunities, in particular for small businesses, (2) further strengthen international trading disciplines, (3) foster economic growth in the United States and globally, and (4) promote environmental and worker rights policies in the context of trade. The U.S.-Singapore FTA builds on the foundation of existing trade agreements to make substantial progress in achieving each of these objectives.

1. Market Opening

As soon as the agreement takes effect, Singapore will lock-in zero duty rates across the broad sweep of products that the United States currently exports to Singapore. In the absence of

the FTA, Singapore would remain free under World Trade Organization (WTO) rules to impose substantial duties on many of these imports. In addition, the agreement calls for both countries to immediately eliminate existing tariffs on imports of textiles and apparel products that meet the agreement's "yarn-forward" rule of origin. This aspect of the agreement will create new opportunities for U.S. and Singaporean fiber, yarn, fabric, and apparel manufacturing industries.

The agreement's ground-breaking provisions on customs procedures will particularly benefit small businesses. The FTA will facilitate customs processing, which will benefit the many small- and mid-sized U.S. companies that incur significant additional costs due to inefficient customs procedures. Under the agreement, Singapore will provide for administrative and judicial review of customs decisions, employ risk-management systems to facilitate the movement of low-risk goods, and release goods from customs within a period no greater than that required to ensure compliance with its customs laws. Whenever possible, Singapore will release goods within 48 hours of arrival. In addition, Singapore will seek to make all new and amended customs regulations available for public comment before they are promulgated. These commitments will facilitate bilateral trade and ensure the highest possible degree of transparency, with particular benefits for smaller U.S. exporters.

The FTA reflects a substantial advance beyond Singapore's commitments on services trade under the WTO General Agreement on Trade in Services. The agreement guarantees U.S. firms enhanced access to key services markets in Singapore, particularly in the financial services, express delivery, and professional services sectors, and locks in current open access in other key services markets such as telecommunications.

2. Stronger International Trade Disciplines

The FTA establishes innovative, binding rules-of-the-road to protect electronic trade in digital products such as software, music, images, videos, and text. The agreement draws from traditional trade principles to fashion customized nondiscrimination rules that will apply specifically to electronic commerce. These rules will ensure even-handed treatment for U.S. firms that deliver digital products to Singapore via the Internet. The FTA also limits customs duties on digital products imported through conventional means and prohibits tariffs outright when digital products are delivered over the Internet. The agreement's provisions on electronic commerce will serve as a model for progress in this emerging area in future bilateral, regional, and global trade agreements.

The FTA recognizes that workers and firms can fully realize the agreement's market-opening potential only if it imposes disciplines that proceed from those currently in place through other agreements. Thus, the agreement sets out new rules on intellectual property rights (IPR) that clarify and build on those in the WTO TRIPS agreement to strengthen enforcement and enhance rules for protecting IPR.

The agreement also establishes ground-breaking rules for addressing discriminatory and anticompetitive behavior by firms that are subject to government influence and includes detailed rules governing trade and investment in telecommunications services, imposing market-opening

disciplines that extend beyond those in effect under the WTO. The agreement also contains innovative procedures for settling disputes that may arise under the FTA, including provisions for monetary assessments to back up dispute panel decisions.

3. Foster Economic Growth

According to an independent study using the Michigan model of world production and trade to predict certain economic effects of various free trade agreements, the U.S.-Singapore FTA will boost annual global welfare by \$25.1 billion when fully implemented. In absolute terms, most of this positive welfare effect will be enjoyed by the United States (\$17.5 billion, or 0.19 % of GNP). Singapore's annual welfare will increase by \$2.5 billion (3.4 % of GNP). Formal models, such as the Michigan model, however, tend to underestimate the benefits of free trade agreements because their scope is limited (*e.g.*, they fail to assess the impact of rules changes such as improved IPR protection and high product aggregation) and because not all the expected effects of the agreement are necessarily measured (*e.g.*, they fail to estimate or fully estimate dynamic or intermediate growth gains from trade liberalization). It is clear, however, that the agreement will contribute to economic growth in both countries and in global trade.

4. Labor Rights and Environmental Protection

Trade agreements can, and should, complement efforts to protect worker rights and enhance environmental protection. Accordingly, the U.S.-Singapore FTA includes meaningful commitments by each government on labor and environmental protection.

Both governments reaffirm through the agreement their respective obligations as members of the International Labor Organization (ILO) and under the 1998 ILO *Declaration on Fundamental Principles and Rights at Work*. The agreement also commits each government to strive to ensure it does not waive or derogate from its domestic labor laws in a manner that weakens or reduces its adherence to internationally recognized labor rights as an encouragement for trade or investment with the other party. Moreover, while recognizing each party's right to establish its own labor laws, exercise its discretion in investigatory, regulatory, prosecutorial, and compliance matters, and allocate enforcement resources, the agreement commits both Singapore and the United States not to fail to effectively enforce domestic labor laws on a sustained or recurring basis in a manner affecting bilateral trade.

Similarly, the FTA commits each government to ensure that its laws provide for high levels of environmental protection and to strive to improve those levels. As is the case for labor law enforcement, the FTA contains a binding commitment on effective environmental law enforcement, while recognizing each government's right to establish its own environmental laws, and exercise discretion in regulatory, prosecutorial, and compliance matters. The agreement also includes language similar to that on labor rights that requires each government to strive to ensure it does not waive or derogate from its environmental laws in a manner that weakens or reduces protections under those laws in order to seek investment or encourage trade with the other country. In addition, the FTA includes provisions that will remove barriers to

bilateral trade in environmental products and services, with the potential to reduce costs for purchases of pollution abatement and other environmental equipment.

C. PRINCIPAL TRADE NEGOTIATING OBJECTIVES

The TPA act establishes a variety of “principal trade negotiating objectives.” The U.S.-Singapore FTA makes substantial progress toward each of the applicable principal goals set out in the act.

1. Opening Markets for U.S. Goods

Although the United States and Singapore generally have a strong bilateral relationship in trade in goods, U.S. exporters will enjoy increased market opportunities and greater certainty under the FTA regarding the terms for continued access to Singapore’s vibrant market. While the great bulk of U.S. products currently enter Singapore duty-free, the agreement will immediately lock those zero duties in place. The agreement also commits Singapore to eliminate all its existing tariffs on U.S. products (including on beer and other alcoholic beverages).

The agreement also calls for Singapore and the United States to increase cooperation on technical regulations, standards, and conformity assessment procedures to prevent unnecessary technical barriers to trade that hinder U.S. companies from taking advantage of open markets.

2. Opening Markets for U.S. Services

Singapore is a major consumer of U.S. services. The FTA will reduce barriers and create new market opportunities in Singapore for a range of key U.S. services and will lock in access in sectors where Singapore’s services market is already open. The agreement includes a market-opening services framework based in substantial part on a trade-liberalizing “negative list” approach. This means that all services sectors are subject to the agreement’s rules unless a government has negotiated a specific exemption in that sector.

The agreement will either open or lock in existing significant access to Singapore’s services markets in such priority U.S. services export sectors as financial services, telecommunications, express delivery, computer and related services, distribution services (wholesaling, retailing, franchising), professional services, advertising, audiovisual services, education and training, tourism, construction and engineering, energy services, and environmental services. The agreement’s market-opening provisions are complemented by state-of-the-art rules governing regulatory transparency – rules that are especially important given the highly regulated nature of many services industries.

As a result of the agreement, Singapore will open its market to U.S. firms in a variety of key services sectors where access is currently limited. In the financial services sector, for example, Singapore has traditionally limited the number of foreign banks that can enter Singapore’s domestic (as opposed to off-shore) banking sector. Eighteen months after the FTA takes effect, Singapore will lift its ban on new licenses for U.S.-owned full-service banks to

operate in Singapore. Singapore will remove its ban on licenses for U.S. banks that provide only “wholesale” (*i.e.*, large-scale) operations within three years. Once the FTA takes effect, U.S. full-service banks will have authority to open 30 “customer service locations” (branch offices or ATM locations) in Singapore, double the number currently allowed. The FTA will require Singapore to entirely eliminate its cap on customer service locations for qualifying U.S. banks in two years.

In addition, locally incorporated, full service U.S. banks will have authority to negotiate access to Singapore’s locally-owned ATM networks within 2-1/2 years after the agreement takes effect. All other full-service U.S. banks will have similar rights after four years. This provision of the FTA will allow qualifying U.S. banks to negotiate contracts with local ATM network owners, which could enable their banking customers to use hundreds of existing ATMs in Singapore. Currently, foreign-owned banks are precluded from participating in Singapore’s locally-owned ATM networks.

The FTA will also ensure that when U.S. investment firms establish mutual funds in Singapore they can use personnel based in the United States to manage the securities included in those funds. The FTA also commits Singapore to relax its local staffing rules for U.S. asset management and insurance companies that seek to market their investment products under Singapore’s mandatory national savings scheme, the Central Provident Fund.

The FTA locks in Singapore’s generally open regime for insurance that U.S. firms provide to customers in Singapore through subsidiary or branch offices located there, including life and non-life insurance, reinsurance, insurance intermediation, and insurance auxiliary services. The FTA will provide significant new rights that will allow U.S. insurance companies to provide from the United States to customers in Singapore marine, aviation, and transport insurance (MAT insurance), intermediation of reinsurance and MAT insurance, and insurance auxiliary services. The agreement also ensures that U.S. firms will continue to be able to provide Singapore customers reinsurance services from the United States. The FTA also includes an innovative provision that will allow licensed U.S. insurers to provide new insurance products to their business customers in Singapore without prior regulatory approval.

In the professional services sector, U.S. engineering and architecture firms seeking to establish offices in Singapore will benefit from Singapore’s commitment to require that only 51% the directors of these firms must be professionally accredited in Singapore. Currently, two-thirds of board members must be accredited there. The FTA will require Singapore to entirely eliminate local ownership requirements for U.S. land surveying firms by 2004. The FTA will also require Singapore to ease restrictions on U.S. law firms that seek to form joint law practices in Singapore, and to recognize degrees earned from certain U.S. law schools for admission to the Singapore bar.

The FTA guarantees continued, unimpeded access to Singapore’s telecommunications market virtually across-the-board to U.S. telecom companies. Under the WTO, Singapore has committed to allow only three foreign telecom providers to participate in just a few of its telecom markets. By contrast, the FTA ensures that all U.S. telecom companies will continue to

be free to enter any telecom sector in Singapore, whether by acquiring or building local facilities, linking its U.S. network with a network in Singapore, or leasing lines from firms in Singapore. The FTA commits Singapore's telecom regulatory authorities to use open and transparent administrative procedures, ensure that U.S. firms have fair and non-discriminatory access to public telephone networks, consult with interested parties before issuing regulations, solicit public comments for proposed rules, and publish all pertinent regulations.

Under the FTA, Singapore will also afford U.S. services suppliers unimpeded access to another of its key services markets – express delivery. The FTA includes an innovative, comprehensive definition of express delivery services that ensures that market access restrictions that Singapore includes for its postal sector do not pertain to express delivery services. Representing a further innovation, the agreement requires Singapore to prohibit its postal authority from subsidizing its “express letter” service to give it an unfair commercial advantage in express delivery services.

3. Foreign Investment

The FTA commits Singapore to provide a strong and predictable legal framework for U.S. investors, including direct ownership by U.S. firms of companies, real estate, intellectual property rights, concessions, permits, and debt instruments in Singapore. Except for certain specified exceptions, the FTA will give U.S. investors the opportunity to establish, acquire, and operate investments in Singapore on the same basis as Singaporean investors or other foreign investors – across the full spectrum of economic activity.

Under the agreement, Singapore will provide U.S. investors due process rights, and recourse in the event of expropriations, that are consistent with U.S. legal principles and practice. For example, the FTA includes protection against denials of justice in accordance with the principle of due process embodied in the principal legal systems of the world. The text thus makes explicit that the treatment required by this obligation is grounded in, and does not extend beyond, the due process standards embraced by the United States and other major legal systems of the world.

With regard to recourse in the event of expropriations, the FTA draws heavily from principles developed in U.S. takings law under the Fifth Amendment of the Constitution. The FTA clarifies, for example, that takings are limited to property rights and property interests, not other types of interests, and incorporates tests used by the U.S. Supreme Court to determine whether a regulatory taking has occurred. The expropriation provisions also recognize that, as is the case in U.S. practice, nondiscriminatory regulatory actions designed and applied to protect legitimate public welfare objectives only rarely result in expropriation. While the FTA commits the United States to continue to provide Singapore investors a high level of protection and due process, the agreement gives Singapore firms no greater substantive rights than U.S. companies already enjoy in the United States.

The FTA also commits Singapore not to burden U.S. investors with protectionist “performance requirements” – such as rules requiring investors to buy local products – and

ensures that Singapore will allow U.S. investors to transfer funds related to their investments in and out of Singapore.

The agreement includes investor-state arbitration procedures that will provide a fair and expeditious means of addressing disputes. The arbitration provisions incorporate procedures intended to increase public access to information regarding arbitration proceedings. The FTA requires, for example, that all documents in investor-state arbitrations, except for business confidential and other legally confidential information, be made public promptly. In addition, all hearings in arbitration proceedings are to be open to the public. The FTA also gives tribunals the authority to accept *amicus* submissions from the public and includes provisions based on those used in U.S. courts to quickly dispose of frivolous claims.

4. Intellectual Property

The U.S.-Singapore FTA clarifies and builds on existing international standards for the protection and enforcement of intellectual property rights, with an emphasis on new and emerging technologies. The agreement ensures that Singapore will provide a high level of IPR protection similar to that provided under U.S. law. Key provisions of the agreement, such as those on preventing circumvention of anti-piracy devices and establishing the scope of liability for copying works on the Internet, are modeled on U.S. statutes.

The FTA requires Singapore to accede to international Internet treaties and extend its term of protection for copyrighted works. The agreement includes state-of-the-art protection for trademarks and copyrights, as well as expanded protection for patents and undisclosed information.

Under the FTA, Singapore will ensure that copyright owners maintain rights to temporary copies of their works that others have on their computers, which is vital for protecting copyrighted music, videos, software, and text from widespread unauthorized sharing over the Internet. The FTA requires the two governments to use only legitimate computer software, thus setting a positive example for private users. The FTA will also require Singapore to prohibit, in the absence of the copyright holder's written request, the production of optical discs (CDs, DVDs, and CD-ROMs) that do not contain a source identification code. To prevent piracy of satellite television broadcasts, the agreement will also require Singapore to protect encrypted satellite signals as well as the programming those signals carry.

The FTA commits Singapore to make patent rights available, with certain exceptions, for inventions and provides for extension of the patent term if there are unreasonable delays in issuing the patent or granting regulatory approval for marketing the patented product. The agreement requires Singapore to enable patent owners to prevent unauthorized imports of their patented pharmaceutical products if a contract is breached. The FTA will also require Singapore to protect against unauthorized disclosure or unfair commercial use of test data and other information that pharmaceutical and agricultural chemical companies submit to government regulators in order to secure regulatory approval for their patented products. Under the agreement, Singapore will protect for five years product information generated in connection

with pharmaceutical product approvals and will protect similar information for agricultural chemicals for 10 years.

These standards are made more meaningful through requirements for tough penalties to combat piracy and counterfeiting, including, in civil cases, procedures for seizure and destruction of pirated and counterfeit products, the equipment used to produce these products, and a requirement to provide for statutory and actual damages to remedy such practices. The FTA also commits Singapore to ensure that its enforcement authorities are empowered to seize, forfeit, and destroy counterfeit and pirated goods and, at least with respect to pirated goods, the equipment used to produce them. Singapore must also authorize its enforcement officials to act on their own against counterfeit and pirated goods, either by stopping them at the border or initiating criminal cases, without receiving a formal complaint, thus providing more effective enforcement against these products. In addition, Singapore must maintain criminal penalties for circumvention of technology protection measures.

5. Transparency

The agreement recognizes that without a high standard of regulatory transparency, the benefits of market-opening trade and investment commitments can be lost through arbitrary or unfair government regulations. Accordingly, the FTA includes key provisions that will ensure that Singapore observes fundamental transparency principles. Those provisions are set out in a specific chapter of the agreement dealing with regulatory transparency as well as in provisions of the agreement addressing cross-border services, competition, government procurement, customs administration, investment, telecommunications, and dispute settlement. The agreement's principal transparency rules are based on U.S. practice under the Administrative Procedures Act.

Increased transparency is also an effective tool in addressing government corruption in international trade. Under the FTA, the United States and Singapore affirm their commitments to adopt, maintain, and enforce effective measures against bribery and corruption in international business transactions. The agreement also provides for the two governments to cooperate on these issues and to look for ways to address issues of bribery and corruption through broader international initiatives.

6. Regulatory Practices

The FTA addresses regulatory issues directly linked to the agreement's market-opening provisions. The FTA includes disciplines designed to prevent the possibility that firms in Singapore might fraudulently seek preferential tariff treatment under the agreement for textile products or apparel that do not qualify for this treatment under the FTA's origin rules. To address this possibility, the FTA includes rules requiring Singapore to monitor textiles and apparel production, and includes anti-circumvention commitments by Singapore in customs cooperation and enforcement. The FTA will require Singapore to penalize companies that engage in circumvention and report them to U.S. authorities. The agreement contemplates that U.S. customs officials may visit production facilities in Singapore and bar imports of textile and apparel goods from factories it finds to be circumventing the agreement's origin rules.

The FTA also addresses the issue of government regulation or other government actions that could provide a competitive advantage to domestic enterprises, and specifically to government-influenced enterprises. The government still plays a far-reaching role in Singapore's economy through investments in state-owned enterprises, known in Singapore as government-linked companies (GLCs). The FTA commits Singapore gradually to divest its interest in most GLCs, as market conditions permit. The FTA also offers protection for U.S. firms in their sales to, and purchases from, these companies. In particular, the FTA requires GLCs subject to "effective influence" by Singapore authorities to base their purchase and sales decisions on normal business considerations, to provide non-discriminatory treatment to U.S. goods and firms, and to refrain from anticompetitive practices. The FTA also requires Singapore to enact legislation by January 2005 that will proscribe anticompetitive business conduct and establish an antitrust enforcement authority. These commitments will help guard against anticompetitive business conduct, particularly by government-linked firms, that could prevent U.S. exporters, investors, and service providers from fully realizing the new economic opportunities the FTA will create.

7. Electronic Commerce

The FTA includes ground-breaking rules prohibiting duties on and discrimination against digitally-encoded products transmitted over the Internet, including computer programs, video, images, and sound recordings. The agreement thus creates a strong foundation for wider efforts to bar duties and unfair or discriminatory regulation of electronically-transmitted products. In addition, the agreement calls for Singapore to base any customs duties it applies to digital products imported on physical media (such as DVDs or CD-ROMs) on the value of the media (*e.g.*, the disc) rather than on the value of the movie, music, or software encoded on the media. That commitment will set a useful precedent for the Asia-Pacific region.

8. Trade in Agricultural Products

Singapore has traditionally been an important market for U.S. agricultural products. The FTA locks in place Singapore's zero duty rates for U.S. farm products and includes trade-enhancing provisions on customs procedures and trade facilitation that will help ensure that the strong bilateral trade relationship in agriculture products will continue to grow.

9. Labor Rights and Environmental Protection

Under the agreement, Singapore and the United States reaffirm their obligations as members of the ILO and will strive to ensure that their domestic laws provide for labor standards that are consistent with internationally recognized labor rights as set forth in the agreement. The agreement makes clear that it is inappropriate to waive or derogate from domestic labor laws in a manner that weakens or reduces adherence to internationally recognized labor rights as an encouragement for trade or investment with the other party. A key element of the agreement's labor provisions, which is enforceable through the agreement's dispute settlement procedure, is a commitment by each government regarding the effective enforcement

of its domestic labor laws. The FTA defines labor laws specifically to include those related to the prohibition and elimination of the worst forms of child labor. The agreement also commits Singapore and the United States to cooperate on labor issues and activities.

Environmental commitments are also included in the core text of the FTA. As is the case for labor rights, a key component of FTA's environmental provisions is an enforceable commitment by each government regarding the effective enforcement of its environmental laws. The agreement also commits Singapore and the United States to ensure that their domestic environmental laws provide for high levels of environmental protection and to strive to continue to improve these laws. Through the agreement, Singapore and the United States expressly recognize that it is inappropriate to waive or derogate from their environmental laws in a manner that weakens or reduces protections under those laws in order to seek investment or encourage trade with the other country. In addition, the United States and Singapore will establish, pursuant to a "memorandum of intent" negotiated in parallel with the FTA, a mechanism for developing a joint environmental work plan.

10. Dispute Settlement

The FTA includes innovative procedures for settling disputes that may arise between the two governments over the implementation of the agreement. The agreement's dispute procedures rely principally on consultations and compliance rather than imposition of trade sanctions or penalties. The procedures set new, higher standards of openness and transparency. The FTA calls for dispute settlement proceedings to be open to the public, for the two governments to release their legal briefs and other filings to the public, and for dispute panels to have authority to receive submissions from interested nongovernmental groups.

The FTA's dispute settlement rules also provide equivalent remedies to enforce panel decisions under the agreement, regardless of whether they address the agreement's commercial, labor, or environmental provisions. The FTA achieves this result through an innovative enforcement mechanism that provides for the use of monetary assessments if a government fails to comply with a panel's decision. Enforcement through the suspension of trade benefits provided under the agreement is also available for all types of disputes. But the agreement is designed to use remedies that will enhance compliance with the agreement, rather than restrict trade, which could adversely affect sectors and consumers that do not have a direct stake in the dispute.

11. Trade Remedies

The FTA does not address antidumping or countervailing duty issues. Thus, the agreement fully preserves U.S. rights and obligations regarding these trade remedies as they currently exist under the WTO.

The agreement includes a bilateral safeguard procedure, similar to those in past U.S. free trade agreements, that will be available to aid domestic industries that sustain or are threatened with serious injury due to increased imports resulting from the phase-out of U.S. import duties

under the agreement. The agreement also includes a special safeguard to address the possibility that duty elimination under the agreement could result in damaging levels of textile or apparel imports.

D. PRIORITIES FOR MAINTAINING GLOBAL COMPETITIVENESS

The TPA act also calls for the President to promote certain priorities to address and maintain U.S. competitiveness in the global economy. The United States-Singapore FTA makes progress in promoting each of these priorities.

1. Labor Cooperation

The United States and Singapore are both members of the ILO and have a longstanding cooperative relationship on labor issues. During the negotiations, government labor experts from the two countries consulted on U.S. and Singaporean labor laws and how their respective systems operate. The two governments included a bilateral labor cooperation mechanism in the FTA to promote respect for the principles embodied in the ILO *Declaration on Fundamental Principles and Rights at Work and its Follow-up* and compliance with ILO Convention 182 *Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor*. The agreement includes a framework for the cooperation mechanism and lists a range of labor activities on which the two governments will collaborate. Officials of the U.S. Department of Labor and Singapore's Ministry of Labor and other appropriate agencies will participate in this mechanism.

2. Domestic Policy Objectives

The FTA fully takes into account critical U.S. domestic policy objectives, such as the need to maintain flexibility in addressing U.S. national security and public health, safety, and consumer interests. The FTA includes a broad set of general policy exceptions for measures governing both trade in goods and services to ensure that the United States remains fully free to safeguard the national and public interest, including specific exceptions for national security, public health and morals, conservation, taxation, and protection of confidential information. The agreement also avoids disturbing existing state and local governmental measures that might run afoul of the agreement's services and investment rules by including "grandfather" clauses that exempt those measures from challenge under the agreement.

3. Multilateral Environmental Agreements and GATT Article XX

As noted in the Administration's environmental review of the FTA, the environment and sustainable development are important concerns for both the United States and Singapore. The FTA expressly recognizes the importance of multilateral environmental agreements, including appropriate use of trade measures in such agreements to achieve specific environmental goals. The FTA commits the United States and Singapore to consult regularly with respect to the ongoing negotiations in the WTO concerning the relationship between multilateral environmental agreements and WTO rules. In addition, the bilateral environmental cooperation

mechanism negotiated in parallel with the FTA will provide further opportunities for the two governments to cooperate in promoting effective implementation of multilateral environmental agreements to which they are both parties.

4. Currency and Exchange Rate Manipulation

The FTA's investment and services rules will promote and protect freer international movement of capital and consequently make it more difficult to manipulate exchange rates to achieve levels inconsistent with levels set by market forces.

Significant and unanticipated currency movements can arise from many conditions, particularly from macroeconomic developments, macroeconomic policy changes, or the appearance of new information on fundamental economic conditions. A determination of whether such movements reflect currency manipulation to promote a competitive advantage in international trade must therefore take into account a broad range of issues, institutions, and market developments that will require a review mechanism with a larger scope than any specific trade agreement.

Under the 1988 Omnibus Trade and Competitiveness Act, the Secretary of the Treasury is required to analyze on an annual basis the exchange rate policies of foreign countries, in consultation with the International Monetary Fund, and consider whether countries manipulate the rate of exchange between their currencies and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining an unfair competitive advantage in international trade. Each member of the International Monetary Fund is obligated, under Article IV of the IMF Articles of Agreement, to avoid manipulation of exchange rates for such purposes. The Department of the Treasury reports semi-annually on its analysis.

The Treasury will ensure that significant and unanticipated currency movements are examined in its reviews of exchange rate policies of foreign countries and in consultations with the IMF concerning these policies. The Department of the Treasury will seek to resolve problems of currencies that are considered to reflect a pattern of currency manipulation to promote a competitive advantage in international trade through discussions with the foreign authorities responsible for foreign exchange rate policies.

5. Reporting Requirements

As required under the TPA act, the Administration has provided a report to the Congress describing Singapore's laws governing exploitative child labor. In addition, the Administration has reported to the appropriate Congressional committees as required under the TPA act on (1) the Administration's environmental review of the agreement and (2) its review of the FTA's impact on U.S. employment. The Administration has also provided a meaningful labor rights report on Singapore, which will also be made available to the public. Finally, the Administration has reported, as specified in the TPA act, on U.S. efforts to establish consultative mechanisms to strengthen Singapore's capacity to promote respect for core labor standards and develop and implement standards for the protection of human health based on sound science.