U.S. - Singapore Free Trade Agreement - Impact on State and Local Governments

I. Introduction

The United States - Singapore free trade agreement (FTA), America's first free trade agreement in Asia, expands U.S. access to Singapore's markets for goods and services, provides opportunities and protection for investment, enhances protection of intellectual property, and provides for cooperation in promoting labor rights and the environment.

Throughout the negotiations, the Office of the United States Trade Representative (USTR) held public hearings and consulted frequently with the Congress and interested parties. U.S. negotiators also held more than 100 meetings with some 700 cleared advisors from business, farm groups, labor unions, environmental groups, consumer organizations, and state and local governments and associations to discuss and seek their advice on U.S. negotiating positions.

One of USTR's 31 chartered advisory committees, the Intergovernmental Policy Advisory Committee on Trade (IGPAC), is made up exclusively of state and local representatives and associations representing executive, legislative and judicial branches of sub-federal government, as well as states, counties, and cities. The National Governors Association, Council of State Governments, the National Conference of State Legislatures, the National League of Cities, the National Association of Counties, and the National Association of Attorneys General are among the organizations represented on the IGPAC. Each of the advisory committees including the IGPAC was required to produce a report on the impact of the U.S.-Singapore FTA, pursuant to section 135(e) of the Trade Act of 1974. USTR also maintained and used the "State Point of Contact" (SPOC) system, whereby the Governor's offices in each of the states or territories designate a single contact for the purpose of receiving information from USTR and disseminating it to interested parties within the state, or transmitting information to USTR.

In the IGPAC report on the U.S.-Singapore FTA (available in full at www.ustr.gov), the Council of State Governments observes that "State governments are strong supporters of expanding international trade and investment. The 50 states spend approximately $100 million each year on trade and investment promotion and maintain a network of over 240 overseas offices. Given this commitment to international commerce, states have a clear interest in increasing market access for state businesses. However, this support is tempered by a deep commitment to protecting the independent powers and responsibilities of states within the federal system."

Similarly, the National Conference of State Legislatures, the National League of Cities, and the National Association of Towns and Townships observe that "Organizations representing state and local governments, like a majority of the American people, support trade liberalization and generally support new trade and investment agreements, such as the Singapore Free Trade Agreement, provided that the language in such agreements is consistent with American values and constitutional principles." (From the IGPAC report, available in full at www.ustr.gov)

Based upon these and other comments received regarding the potential impact of the Singapore

FTA on sub-federal governments, USTR has identified three main areas of interest to states and localities in the U.S.-Singapore FTA: government procurement, services, and investment. Additionally, states and localities have an overall interest in preserving sub-federal regulatory abilities and prerogatives.

II. Government Procurement

The United States and Singapore are signatories to the Agreement on Government Procurement (GPA), an agreement under the auspices of the World Trade Organization (WTO). Pursuant to U.S. membership in the GPA, 37 states made commitments during the Uruguay Round negotiations for the entities that each state specified in Annex 2 to the GPA. Under the U.S.-Singapore FTA, no additional obligations were taken on behalf of the states beyond the GPA obligations. Local procurement is not covered under the GPA or the U.S.-Singapore FTA. In addition, the U.S.-Singapore FTA should not require state and local governments to devote additional resources to implementation.

III. Chapter 8: Cross-Border Trade in Services

This Chapter covers the supply of services on a cross-border basis only which includes services supplied by an enterprise or a natural person from the United States into Singapore or vice versa as well as the consumption of services of such services. Services supplied by an investor or investment are covered under the Investment Chapter. While states and local governments are subject to the obligations of this Chapter, they will not be required to make any changes to existing laws or regulations which may be inconsistent with its obligations pursuant to Article 8.7 and the non-conforming measure listed in the U.S. schedule to Annex 8A "grandfathering" existing non-conforming measures maintained by state and local governments.

Nothing in Chapter 8 or any other provision of the U.S.-Singapore FTA requires the privatization or deregulation of any government services, including water supply or distribution services, elementary or secondary education.

The implementation of the Cross-Border Services Chapter should not require an additional commitment of resources by state and local governments.

IV. Chapter 10: Financial Services

This Chapter covers measures relating to U.S. and Singaporean financial institutions, U.S. and Singaporean investors and investments in such institutions, and cross-border trade in financial services. The Chapter does not apply to state or local measures relating to public retirement plans or social security systems. While states and local governments are subject to the obligations of this Chapter, they will not be required to make any changes to existing laws or regulations which may be inconsistent with its obligations pursuant to Article 10.9 and the non-conforming measure listed in the U.S. schedule to Annex 10B "grandfathering" existing non-conforming measures maintained by state and local governments.

The implementation of the Financial Services Chapter should not require an additional commitment of resources by state and local governments.

IV. Investment

V. Regulatory Interests

The U.S.-Singapore FTA does not affect the right of the United States and sub-federal governments to establish, maintain, and fully enforce domestic laws protecting consumers, health, safety, and the environment.

VI. Conclusion

The states and local governments are poised to benefit from the U.S.-Singapore FTA, which will enhance an already strong and thriving commercial relationship with America's 12^{th} largest trading partner. Given the strength of that relationship and the size of Singapore's economy, however, we do not believe that state and local governments will need additional resources to deal with the effects of increased trade under the U.S.-Singapore FTA**.**