



Executive Memorandum

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WHY THE UNITED STATES SHOULD COMPLETE THE BILATERAL FREE TRADE AGREEMENT WITH SINGAPORE

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While the Senate considers whether to grant the President trade promotion authority, the Bush Administration should forge ahead by sealing a bilateral free trade agreement with Singapore. The United States and Singapore have been negotiating a bilateral agreement since December 2000. Although Singapore already has a low tariff rate, signing this deal will open the market even further to U.S. exporters. Furthermore, the benefits of the agreement would not be solely economic; an agreement with Singapore would reinforce U.S. leadership in Asia and strengthen an important security alliance between the two countries.

In light of the recent economic downturn and America's continued efforts in the war on terrorism, reaching out to our friends through trade is a strategic move. This agreement presents the United States with an opportunity to reinforce its commitment to free trade. Of the 150 trade and investment agreements currently in place around the world, the United States is party to only three. Moreover, the recent imposition of a tariff on steel has left America's commitment to free trade in question. Completing a bilateral with Singapore could re-affirm this commitment and could spur other bilateral trade agreements, strengthening a global movement toward market liberalization.

Economic Benefits. Singapore is America's tenth largest trading partner and is home to more than 17,000 American expatriates. U.S. exports to Singapore include machinery, computer and electronic products, chemicals, and agricultural products. According to the California Technology, Trade and Commerce Agency, in 2001, California exported more than \$4 billion in exports to Singapore. The U.S. Department of Commerce reports that Singapore is an important market for that state.

According to the International Trade Administration, in 2000, the United States—the world's largest exporter of agricultural products—exported \$205 million in food and live animals to Singapore. American farmers need more opportunities to market their goods. While other trade deals have raised concern among the U.S. farm lobby because of agricultural barriers, this deal has not because Singapore does not have a significant agricultural industry.

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The American Chamber of Commerce in Singapore has stated that “U.S. business interests in the USSFTA [U.S.–Singapore Free Trade Agreement] range from manufacturing and aerospace to service industries such as financial services, logistics, broadcasting, legal and architectural services.” The American Chamber concludes that “the agreement can play a significant role in defining rules of origin and establishing mutual recognition of standards and professional accreditations.”

This deal would reinforce friendship and business relations between the United States and Singapore. With over 1,300 U.S. corporations currently operating in Singapore, American investment in the country has an established track record.

Strategic Security Considerations. The U.S. relationship with Singapore extends beyond business into the arena of security. Singapore is among America’s most reliable friends in Southeast Asia. Although there is no formal security alliance between Washington and Singapore, Singapore’s armed forces maintain a deep and sophisticated military-to-military relationship with Washington, which has included basing Singapore aircraft in the United States and training American fighters in Singapore on a nearly continuous basis. The U.S. Navy maintains a large logistical presence in that tiny country, and Singapore recently inaugurated the largest dock in the region, designed specifically to support American aircraft carriers. The United States and Singapore are using this close military relationship to pursue the war on terror in many different ways, both public and nonpublic.

On its home front, Singapore’s efforts against terrorists are broad and comprehensive. As early as September 2001, the Singapore government had established an inter-ministerial taskforce on anti-terrorism. In October, it issued regulations that permitted the implementation within Singapore of the U.N. Security Council Resolutions on counter-terrorism. The Monetary Authority of Singapore instructed all banks and financial institutions to identify customers suspected of financing terrorist activities or engaging in money-laundering activi-

ties. In addition, Singapore’s police force launched a rigorous review of financial transactions within the country.

In December 2001, the Singapore police arrested 15 persons for terrorist-related activities. The terrorists were caught in the act of surveilling a number of American business interests based in Singapore as well as locations where American servicemen congregate. Many of the people arrested had direct links to al-Qaeda. In a follow-up investigation, the police uncovered a region-wide network of terrorists with links in Malaysia, Thailand, the Philippines, and Indonesia. All of these countries, with the notable exception of Indonesia, have subsequently arrested terrorists linked to al-Qaeda. In addition, Singapore has been a vocal critic of the negligence regarding the war on terrorism exhibited by its giant neighbor, Indonesia.

Clearly, Singapore has provided valuable support to the United States in the war against terrorism. Federal Bureau of Investigation Director Robert Mueller visited Singapore in March 2002 and praised Singapore’s efforts on the law-enforcement side of the war on terrorism. The FBI is working closely with Singapore’s law enforcement agencies and has sent many of its several hundred agents that are overseas to Singapore. Recently, the Bureau opened a legal attaché office in Singapore, which will cover Singapore, Indonesia, Malaysia, and Brunei.

Conclusion. To reinforce U.S. leadership in Asia and strengthen America’s defense relationship with Singapore, the Bush Administration should move quickly to implement the bilateral trade agreement with Singapore. The United States has sat on the sidelines of the global economy for far too long and should step up to the plate by finishing this bilateral trade agreement and moving ahead with others.

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