

Singapore-Australia Comprehensive Strategic Partnership Improved NAB Group Economics

Tom Taylor

Tom_Taylor@national.com.au

25 May 2016



- **Australia and Singapore have further strengthened their already very close economic relationship with the May 2016 announcement of reforms to their main bilateral economic relationship. We may eventually have no less than 5 separate free trade agreements covering Singapore trade.**
- **Bilateral trade restrictions have already been substantially removed and reforms now focus on cutting “behind the frontier” barriers rather than lowering tariffs or removing import quotas.**
- **Liberalising services trade, the movement of people and investment flows is the focus as trade in goods has already been liberalised.**
- **Despite its small size, Singapore has a unique position among our Asian trading partners in terms of the intensity and breadth of business ties. The latest round of reforms opens up further opportunities for Australian business.**

With tariffs already eliminated under the 2003 free trade agreement and Singapore generally avoiding the use of import quotas, the Australian trade agenda for improving business opportunities has long focussed on addressing the more hidden barriers to business access and growth embedded in the structure of domestic rules and regulations in Singapore.

As Singapore has always favoured free trade and has signed numerous free trade agreements with other commercial partners, the value of preferential goods trade for Australian business from our bilateral free trade agreement has been limited.

Instead, our main business opportunities lie in the Singaporean services sector. Accordingly, previous reviews of the bilateral free trade agreement have emphasised opening up opportunities for Australian business via liberalising the various ways Australian firms can supply services in Singapore.

Advances in the new trade agreement

Predictably, the liberalisation in the latest review of the free trade agreement again focuses on services and the movement of people. Singapore should:

- recognise a wider degree of educational qualifications awarded by Australian universities – especially postgraduate *Juris Doctor* legal degrees and postgraduate medical degrees – improving the access of Australian residents and Singaporeans who have studied in Australia to the labour market
- recognise 15 health qualifications in fields like physiotherapy as well as speech and occupational therapies – again improving the access of Australian practitioners and Singaporeans with Australian qualifications to the job market

- jointly establish a system to support the mutual recognition of professional qualifications with priority given to accountants and engineers
- develop a process to handle requests by Australian universities operating campuses in Singapore to call themselves universities rather than some other name – lifting their standing in the market
- allow Australia’s James Cook University to call its large campus in Singapore a university, rather than an institute of higher learning
- “guarantee” that Australian financial service providers can deliver a range of cross-border services, including portfolio management and various types of insurance brokerage
- lock in existing opportunities for Australian lawyers and legal firms, especially for practicing Singapore law and commercial arbitration
- ensure Australian legal providers benefit from future market reforms in the Singapore legal sector by locking them into the free trade agreement
- permit longer stays for Australian business people temporarily living in Singapore (independent executives, intra-corporate transferees, machinery installers)
- allow “guaranteed access” for the spouses and dependants of Australians granted entry as business persons.

Among the other advances are:

- Australia locating one of its 5 business start-up “landing pads” in Singapore to promote innovation and enterprise
- closer co-operation between scientific agencies
- updating the rules on government procurement and investor-state dispute settlement that already existed in the free trade agreement.

So far we only have a broad outline of the agreement, not its full text. Consequently, there is still much to be learned to ensure that the devil is not in the detail when it comes to enhancing opportunities for Australian business. Officials from each side are now to continue technical work to prepare a full text for legal review and that will have to go through the parliamentary and other processes in each country for approval.

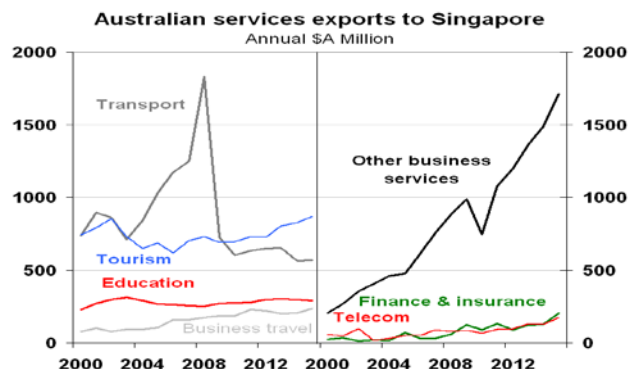
Assessment of the proposed reforms

Australia’s trade relationship with Singapore is already very strong and much has been accomplished in removing barriers to business growth – past trade liberalisation has been a success. With much low hanging fruit picked, the remaining issues are often complex and embedded in domestic regulatory structures. The parallel here is our closer economic relations process with New Zealand which also started with removing goods trade barriers, then moved into services and has gradually encompassed co-operation in more and more areas, areas once considered more a part of domestic affairs than foreign trade.

Solid economic growth, rising incomes and market liberalisation saw Australian goods exports to Singapore double between 2005 and 2014 to \$A8½ billion. Exports then fell to \$A6¾ billion in 2015. Gold and oil accounted for around two-third of 2014/15 exports so lower oil prices probably explain much of the fall.

Alongside those commodity trades there are also a wide range of exports of non-commodity items, particularly machinery and equipment. The intensity of the bilateral relationship underpins its importance to Australian business – with over 6000 Australian businesses exporting goods to Singapore in 2013/14, more than to any other Asian trading partner. The special character of the trade is illustrated by the multitude of smaller sized consignments sent to Singapore by these firms, unlike the smaller number of high value commodity shipments to markets like China

Another way in which our trade with Singapore is quite exceptional is the extent to which Australian services exports are concentrated in the fast growing business service category. Education and tourism dominate Australian services exports to Asia and Singapore trade was once heavily specialised on transport services, but there were \$A2 billion in business service exports to Singapore last year – now easily the biggest part of trade.



Besides this focus on business services is another Australian export specialisation that does not even feature in the trade numbers – the provision of education by our universities at Singapore campuses to students. There were over 25000 “trans-national” students on the Singapore campuses of our education providers in 2013, alongside the 35000 Singaporean students studying in Australia (whose spending is in the trade figures).

Higher education is just one illustration of how the proposed reforms to the free trade agreement address where the action currently is in tackling business problems. Although many Australian universities have big campuses in Singapore, James Cook is the first to be allowed to call its operation there a university – a branding advantage in the marketplace and a reflection of reality. Other education providers like Curtin University are waiting in the wings to also get that outcome to help drive more business. Similarly, recognising more Australian medical and legal qualifications will help the competitive position of their Australian providers as Singaporean students with Australian graduate degrees get better access to jobs.

Locking in access for Australian legal providers in the important Singapore legal hub is another move that aligns with how commercial opportunities will develop. A “ratchet” mechanism should be built into the next version of the free trade agreement, preserving our position and giving scope for further gains.

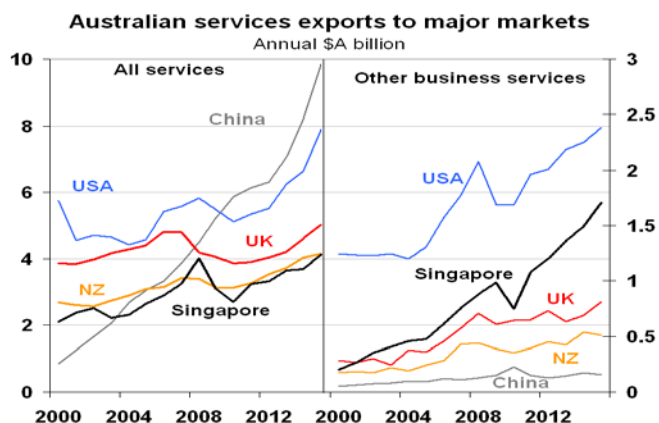
Finally, allowing easier access for foreign service providing personnel into the market is an increasingly important – and politically fraught – element of liberalising trade. Many services are provided by non-residents who must temporarily reside in the foreign market and the growing internationalisation of business means more executives and machinery installers need to reside overseas to conduct their business. The increased residence times allowed Australians in the Singapore market are therefore another valuable step in liberalisation for services trade.

Goods exporters - characteristics 2013/14

	Number of Exporters	Number of Transactions ('000s)	Value of Exports (\$b)	Average value per transaction (\$'000s)	Average value per exporter (\$m)
China	5853	144.8	99.5	687.3	17.0
Japan	3016	161.2	48.3	299.8	16.0
S Korea	2304	64.2	20.5	318.9	8.9
Taiwan	2099	38.3	7.2	187.1	3.4
Indonesia	2421	74.5	4.9	65.6	2.0
Malaysia	3801	68.9	5.4	77.8	1.4
Thailand	2811	45.5	4.7	104.0	1.7
Philippines	1720	26.1	1.5	56.1	0.9
Vietnam	1707	27.4	2.7	99.4	1.6
HK	5294	96.5	2.8	28.9	0.5
Singapore	6181	172.5	7.4	42.7	1.2
NZ	17256	1153.3	7.5	6.5	0.4

Source: ABS

The importance of services trade, especially business services, is another standout feature of our trade with Singapore. Although Singapore is in 41st place in terms of its global GDP ranking it is second only to the US as a market for Australian exports of “other business services”.



Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Australian Economics and Commodities

Riki Polygenis
Head of Australian Economics
+(61 3) 8697 9534

James Glenn
Senior Economist – Australia
+(61 2) 9237 8017

Vyanne Lai
Economist – Australia
+(61 3) 8634 0198

Phin Ziebell
Economist – Australia
+61 (0) 475 940 662

Amy Li
Economist – Australia
+(61 3) 8634 1563

Behavioural & Industry Economics

Dean Pearson
Head of Industry Analysis
+(61 3) 8634 2331

Robert De lure
Senior Economist – Industry
Analysis
+(61 3) 8634 4611

Brien McDonald
Senior Economist – Industry
Analysis
+(61 3) 8634 3837

Steven Wu
Economist – Behavioural &
Industry Economics
+(61 3) 9208 2929

International Economics

Tom Taylor
Head of Economics, International
+(61 3) 8634 1883

Tony Kelly
Senior Economist – International
+(61 3) 9208 5049

Gerard Burg
Senior Economist – Asia
+(61 3) 8634 2788

John Sharma
Economist – Sovereign Risk
+(61 3) 8634 4514

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Rodrigo Catril
Currency Strategist
+61 2 9293 7109

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Alex Stanley
Senior Interest Rate Strategist
+61 2 9237 8154

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 29237 1076

Andrew Jones
Credit Analyst
+61 3 8641 0978

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Jason Wong
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44207710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 2155

Derek Allassani
Research Production Manager
+44 207 710 1532

Asia

Christy Tan
Head of Markets
Strategy/Research, Asia
+852 2822 5350

Julian Wee
Senior Markets Strategist, Asia
+65 6632 8055

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.