



Al Alawi & Co
Advocates & Legal Consultants

CONSIDERING OMAN'S FREE TRADE AGREEMENTS (PART - 2)¹

FREE TRADE AGREEMENT
BETWEEN THE
COOPERATION COUNCIL
FOR THE ARAB STATES OF
THE GULF AND THE
REPUBLIC OF SINGAPORE

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Free Trade Agreements (“FTAs”) are international multi or bilateral treaties entered into by individual governments or pan governmental organizations.

FTAs aim to encourage “free” trade between the signatory countries by granting their respective national firms “preferential access” to each other’s markets. This preferential access generally comes in the form of reduced trade restrictions such as tariffs, taxes, customs duties, quotas or similar such regulatory barriers.

One such FTA has been entered into between The Cooperation Council for the Arab States of the Gulf (“GCC”)² and the Republic of Singapore (the “GFSTA”). The stated objective of the GSFTA is to “promote and strengthen the multilateral trading system between the Arab world and the Republic of Singapore” in a manner helpful to the development of regional and international cooperation through the liberalisation and expansion of trade in goods and services between the respective countries.

The significance of this particular FTA is even greater, if we consider that the GSFTA was the first FTA signed by all six GCC countries, as members of the GCC.

Another objective of the GSFTA is to facilitate the flow of natural persons between Singapore and the GCC member states.

It is reported by the Ministry of Trade and Industry of Singapore that upon implementation of the GSFTA, “approximately 95% of all GCC tariff lines qualify for tariff-free concessions and an additional 2.7% of tariff lines will qualify for the same tariff-free concessions by the year 2018”.³

Main areas of focus of the GSFTA:⁴

The GSFTA primarily focuses on introduction of an economic cooperation framework, including trade in goods, rules of origin, customs procedures and governmental procurement for sectors including telecommunications, electrical and electronic equipment, petrochemicals, jewellery, machinery and iron and steel-related Industries.⁵

Oman’s economy stands to benefit tremendously from the GFSTA as Oman is considered Singapore’s 6th biggest trading partner in the Middle East with trade between the two parties exceeding us\$2.2 billion.⁶

The GSFTA covers trade in goods and services, customs procedures, e-

commerce, economic cooperation, government procurement, rules of origin and other matters, including:

- ✓ A comprehensive scheme to eliminate tariffs, which will make goods originating from Singapore more competitive in comparison with other foreign imports entering the GCC market(s).
- ✓ Relief on products substantially transformed in Singapore or the GCC to qualify for the tariff concessions and preferential treatment. Goods wholly obtained or produced in the territory of a party are treated as originating goods of that party. A certificate of origin applicable to a single importation of a good into the party’s territory that has been completed and signed by an exporter or producer in the territory of the other party will be accepted by its customs authority within six months from the date of issuance as proof of origin for the purpose of getting preferential treatment under the GFSTA.

- ✓ Low value goods (below US \$100), in-line with the GSFTA description of goods, are exempted from the requirement to obtain a certificate of origin, which allows more efficient import-export practices between the signatories of the GFSTA.
- ✓ Simplified custom procedures to promote bilateral trade and to shorten process of applying for the preferential treatment by issuance of written advance rulings to an importer of the good in its territory or to an exporter or producer of the good in another party's territory prior to the importation of a good into other's party territory⁷.
- ✓ A reciprocal requirement for Singapore and the GCC member states to eliminate their respective customs duties vis-a-vis goods originating from the other.
- ✓ Transparency of customs procedures, which requires the member parties to publish and make available its domestic custom laws and regulations.
- ✓ Gradual opening up of government procurement markets in the aim of maximizing, among other things, inter alia competitive opportunities for the suppliers of the parties.

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Notes:

¹ At Al Alawi & Co., we support our clients in application of FTAs, conduct customized research on the available FTAs, advise on investment opportunities for foreign individuals/corporate emanating therefrom (and implementation of transactions aimed at utilization of such investment privileges), and assist in determining the corresponding preferential duties based on companies' current/pro-posed supply chain.

² The GCC is comprised of six member countries: The Kingdom of Bahrain, the Kingdom of Saudi Arabia, the United Arab Emirates, the State of Kuwait, the Sultanate of Oman and the State of Qatar

³ Statement made by Lee Yi Shyan Chiang, Minister of Trade and Industry of Singapore, during the joint seminar organised by Said bin Saleh al Kiyumi, the Chairman of Oman's Chamber of Commerce and Industry in Muscat on May 3, 2014

⁴ Singapore's two main imported materials from Oman include petroleum and petroleum products. Singapore's main exported products include civil engineering parts and electrical machinery. It is eminent that Singapore is interested in various sectors in Oman such as oil, construction, information technology and environmental engineering. One of the most notable presences of foreign investment from Singapore was in 2012 when Singapore Technologies Marine Ltd (ST Marine) secured S\$880 million project to build patrol vessels for the Royal Navy of Oman. (See press release of the Ministry of Trade and Industry of Singapore, dated September 1, 2013.)

⁵ The GCC is currently Singapore's fifth largest trading partner and accounts for 35% of Singapore's oil imports. Bilateral trade with the GCC reached a record high of US\$68.6 billion in 2012, an increase of 62% since 2007. Since 2004, Singapore companies have secured over US\$20.8 billion of projects in the GCC states.

⁶ Statement made by Lee Yi Shyan Chiang, Minister of Trade and Industry of Singapore, during the joint seminar organised by Said bin Saleh al Kiyumi, the Chairman of Oman's Chamber of Commerce and Industry in Muscat on May 3, 2014.

⁷ Advance rulings are bound to ease import/export between the regions by simplifying and clarifying whether the good qualifies as an originating good.

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