

INDIA-SINGAPORE COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT (CECA)

The India-Singapore CECA) was signed on June 29, 2005 and entered into force on August 1, 2005.

In response to a request from Singapore, the Government of India agreed to eliminate or reduce tariffs on a total of 539 products (at the 8-digit level) as an additional concession within the existing CECA. On December 20, 2007, the Governments of India and Singapore signed a Protocol to amend the CECA with the aim of expanding the tariff liberalization package within the Trade in Goods (TIG) chapter of the Agreement. Under the preexisting TIG provisions of the CECA, approximately 83% of the total value of Singapore's exports to India fell under the list for tariff reduction or elimination. As a result of India's additional tariff concessions, coverage has risen to approximately 93% of the total value of Singapore's exports.

A. Tariff Reduction and Elimination Modality

Under the agreement each Party shall reduce and/or eliminate its customs duties on originating goods of the other Party in accordance with the agreed tariff schedule (Annex 2A and Annex 2B of the agreement). India classifies each of the products imported from Singapore into one of four lists: (i) for immediate tariff elimination under the Early Harvest Program (EHP); (ii) for phased elimination of customs duties; (iii) for phased reduction of customs duties; and (iv) exclusion from any concessions in duty. As per the agreement signed in 2005, tariffs will be reduced or eliminated through the use of margins of preference.

Singapore eliminated tariffs on all products originating from India upon entry into force of the CECA, *i.e.*, August 1, 2005. India indicated tariff elimination for 2,708 tariff lines, or 23.2%, out of a possible 11,666 tariff lines. This included 506 tariff lines (3.3%) in the Early Harvest Program (EHP) and 2,202 tariff lines (18.9%) marked for phased elimination by 2009. An additional 2,407 tariff lines (20.6%) are subject to phased tariff reduction and 6,551 tariff lines (56.2%) are excluded from any concessions in duty.

Early Harvest Program

Singapore eliminated all customs duties on all goods originating from India as specified by the rules of origin effective August 1, 2005.

A total of 506 tariff lines of Indian goods listed in the EHP were eliminated upon entry into force of the Agreement. The largest number of tariff lines in the EHP belongs to HS Chapter 85, Singapore's second largest category of exports to India.

TARIFF LINES INCLUDED IN EHP		
CHAPTER	NUMBER	PERCENT OF LINES IN CHAPTER
Chapter 84	55	5.1%
Chapter 85	165	25.1%
Chapter 87	0	0%

Phased Duty Elimination

Tariffs on originating goods provided in the list for phased elimination were gradually eliminated in five stages beginning from August 1, 2005. A total of 2,202 items entered India duty free as of April 1, 2009, including 231 items in HS Chapter 84, 57 items in HS Chapter

85, and 21 items in HS Chapter 87. The Margins of Preference (MoP)¹ that India offered for items in the list for phased tariff elimination is set out in the table below.

TIMELINE FOR PHASED DUTY ELIMINATION					
	Aug 1, 2005	Apr 1, 2006	Apr 1, 2007	Apr 1, 2008	Apr 1, 2009
MoP	10%	25%	50%	75%	100%

On December 20, 2007, the Government of India agreed upon an additional 404 tariff lines to be included in the list of products subject to phased duty elimination: 307 tariff lines by December 1, 2011 provided in List 1 of Annex 2A, and 97 tariff lines by December 1, 2015 provided in List 2 of Annex 2A. These two lists include products in HS Chapters 84, 85 and 87 as follows:

TARIFF LINES SUBJECT TO PHASED DUTY ELIMINATION		
CHAPTER	List 1	List 2
Chapter 84	47	4
Chapter 85	8	18
Chapter 87	4	1

Phased Duty Reduction

Tariffs on originating goods provided in the list for phased duty reduction were gradually reduced in five stages beginning from August 1, 2005. A total of 2,407 items entered India at concessional rates from August 1, 2005 to April 1, 2009, including 525 items under HS Chapter 84, 373 items under HS Chapter 85, and 7 items under HS Chapter 87. The MoP that India offered for items in the list for phased duty reduction is set out in the table below

TIMELINE FOR PHASED TARIFF REDUCTION					
	Aug 1, 2005	Apr 1, 2006	Apr 1, 2007	Apr 1, 2008	Apr 1, 2009
MoP	5%	10%	20%	35%	50%

On December 20, 2007, the Government of India agreed upon an additional 135 tariff lines to be included in the list of products subject to phased duty reduction provided in List 3 of Annex 2A. These items will have their tariffs gradually reduced to 5% by December 1, 2015. List 3 of Annex 2A includes 14 tariff lines under HS Chapter 84, 11 tariff lines under HS Chapter 85, and 2 tariff lines under HS Chapter 87.

Excluded from Any Concession in Duty

Items in this category are excluded from duty concessions. Chapters 72 and 87, iron & steel and automobiles, respectively, are highly protected by India. Nearly 90% of the tariff lines in each of these chapters are included here.

¹ Margin of Preference (MoP) offered by India to Singapore on specific products, shall be calculated on the Most Favored Nation (MFN) import duty applicable on the date of import. For example, if the MFN duty on a particular product is 20%, and India offers a MOP of 10% to Singapore, the duty reduction for import from Singapore will become 20% - 10% of 20% = 2%. Hence, the applicable rate of duty for that particular originating product coming from Singapore will be 20-2 = 18%. If the MOP of 100% is offered to Singapore, then such originating goods shall receive duty free entry into India from Singapore.

TARIFF LINES EXCLUDED FROM CONCESSIONS		
CHAPTER	NUMBER	PERCENT OF LINES IN CHAPTER
Chapter 84	265	24.6%
Chapter 85	62	9.4%
Chapter 87	150	84.3%

B. Rules of Origin

General Rules

The CECA adopts both general value added (VA) content rules and product specific rules of origin (PSR). For products from India or Singapore to be eligible for duty-free access into the other market, they must (i) be wholly obtained or produced, (ii) meet a CTC requirement at the 4-digit level plus a 40% VA content based on the FOB price; or (iii) meet the PSRs as detailed in Annex 3a. A summary of the rules of origin under CECA is as follows:

Method of Determining Origin	Unique Origin Criteria
1. Wholly obtained or produced 2. General rule of CTC at 4-digit level plus 40% VA 3. Product specific rules based on CTC and/or VA in either of the below combinations: - CTC in tariff heading only - CTC in tariff subheading only - 40% VA only - CTC in tariff subheading + 40% VA content	Consignment criteria

For the purposes of calculating the local value added content, either of the following methods can be applied:

Direct Method

$$40\% \geq \frac{\text{Value of Originating Materials} + \text{Direct Labor} + \text{Direct Overhead} + \text{Profit}}{\text{FOB Price}} \times 100$$

Indirect Method

$$60\% \leq \frac{\text{Value of Non-Originating Materials}}{\text{FOB Price}} \times 100$$

The goods must be shipped directly from Singapore or India and may not undergo further processing en route.

The PSRs cover products such as cocoa and miscellaneous food preparations; chemicals; plastics; paper; machinery, equipment and appliances; optical, medical and precision instruments; and locomotives. There are no PSR for HS Chapter 87 in the CECA. The PSR for HS Chapters 84 and 85 are set out in the table below.

PRODUCT SPECIFIC RULE FOR CHAPTERS 84 AND 85			
Chapters	40% Local Value Added Content Only	40% Local Content and CTH	CTC Only
Chapter 84	845610, 845620,	ex 841480, 841932,	840710, 847050,

PRODUCT SPECIFIC RULE FOR CHAPTERS 84 AND 85

Chapters	40% Local Value Added Content Only	40% Local Content and CTH	CTC Only
	845630, 845691, 845720, 845730, 845819, 845891, 845899, ex 846029, 846229, 846330, 846410, 846799, 8472, 847950,	ex 841989, 842121, 842122, 842489, 847740, 847940, 847960, 847981, 847989,	847090, 847110, 847130, ex 847141, 847149, 847150, 847160, 847170, 847180, 847190, 847330,
Chapter 85		850450, 850720, 850730, 850740, 850780, ex 850790, 850910, 850920, 850930, 850940, 850980, 851010, 851020, 851030, 851420, 851430, 851440, 851640, 854330, 854389	ex 850440, 851711, 851721, 851730, 851750, 851780, 851790, 852110, ex 852190, ex 852510, 852520, 852530, 852540, ex 852691, 852821, 853120, 853210, 853221, 853222, 853223, 853224, 853225, 853229, 853230, 853290, 853310, 853321, 853329, 853331, 853339, 853340, 853390, 853669, 853949, 854110, 854121, 854129, 854130, 854140, 854150, 854160, 854210, 854221, 854229, 854260, 854270, 854311, 854381

Rules on Accumulation of Inputs

When the material is qualified as an originating material, its total value may be included for the purpose of the RVC.

De Minimis

Not applicable at this time. However, the Parties agreed that in the event that India adopts and implements the usage and concepts of *de minimis* and outward processing in any bilateral, regional or global trade agreement with any third party or parties, India shall adopt and implement the same usage and concept under CECA. The India-Korea CEPA, which entered into force on January 1, 2010, provides for *de minimis* provisions so it is likely that Singapore will request the same treatment under CECA. Singapore and India have not yet started negotiating on the issue; however, Singapore will bring the issue up at the second CECA review, which will take place in the second half of 2010.

C. Certification Rules

General Description

The CECA adopts a government-certification system only. The provisions for the certificate of origin (CO) under the CECA are detailed in Articles 3.13, 3.15 to 3.17 of Chapter 3 on the Rules of Origin, Articles 4.5 to 4.6 of Chapter 4 on Customs, and Annex 3B to Chapter 3 on Rules of Origin. The importer must present an original CO at the time of importation to qualify for preferential treatment under the CECA. To obtain the CO, the exporter must apply from the issuing agency prior to export. A CO is valid for a single shipment. The Issuing Authority must carry out proper examination upon each CO application.

Back-to-Back Certificate of Origin

Not applicable.

Third-party Invoicing

Not applicable.

Advance Ruling

Each Party must provide for the issuance of written advance rulings, prior to the importation of a good into its territory, to an importer of the good in its territory or to an exporter or producer of the good in the exporting party, as to whether the good qualifies as an originating good. The importing Party must issue its determination regarding the origin of the good within 120 days after receipt of all necessary information.

Authorized Bodies

The CO issuing authorities are (i) the Export Inspection Council of India or any other agency authorized by the Government of India in accordance with its laws and regulations, and (ii) Singapore Customs.

Post-Exportation Examination

In case of reasonable doubt about the authenticity of a CO, the customs authority of the importing Party may seek a clarification from the certifying authority of the exporting Party, which will furnish the same within a period of 30 days. Meanwhile, the subject consignment

will be allowed entry into the importing Party on a provisional basis against a bond or a guarantee. Where the information from the exporting Party is inconclusive, the importing Party may, upon informing the exporting Party and with the consent of the exporter or manufacturer concerned, visit the exporter or manufacturer concerned for the purpose of verifying the preference claim.

Document Retention Requirements

Under the CECA, the exporter should keep a copy of the CO and its supporting documentation for at least two years.

D. Relevant FTA Provisions

- Legal Text:
http://www.fta.gov.sg/ftas_ceca_legal.asp
- Tariff Schedule :
http://www.fta.gov.sg/fta_ceca.asp?hl=6 (India)
- Rules of Origin, Chapter 3:
http://www.fta.gov.sg/ceca/india-singapore%20comprehensive%20economic%20cooperation%20agreement_chap3.pdf
Product Specific Rules of Origin:
<http://www.fta.gov.sg/ceca/annex%203a%20-%20product%20specific%20rules.pdf>
- Operational Certification Procedures:
<http://www.fta.gov.sg/ceca/annex%203b%20-%20operational%20certification%20procedures.pdf>