

February 26, 2003


The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Zoellick:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Industry Sector Advisory Committee on Transportation, Construction, Mining, and Agricultural Equipment for Trade Policy Matters regarding the U.S.-Singapore Free Trade Agreement, reflecting the consensus of the full Committee on the proposed Agreement.

We congratulate the Administration and the Office of the U.S. Trade Representative staff for their success in concluding these negotiations.

Sincerely,

A handwritten signature in cursive script that reads "Christopher M. Bates".

Christopher M. Bates
Chair, ISAC 16

February 26, 2003

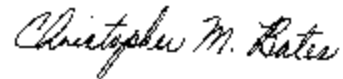
The Honorable Donald Evans
U.S. Secretary of Commerce
U.S. Department of Commerce
14th & Constitution Avenue, N.W.
Washington, DC 20230

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Christopher M. Bates
Chair, ISAC 16

The U.S.-Singapore Free Trade Agreement (FTA)

**Report of the
Industry Sector Advisory Committee on
Transportation, Construction, Mining & Agricultural Equipment
For Trade Policy Matters (ISAC 16)**

February 26, 2003

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**Industry Sector Advisory Committee on Transportation, Construction, Mining, and
Agricultural Equipment for Trade Policy Matters (ISAC 16)**

**Advisory Committee Report to the President, the Congress, and the United
States Trade Representative on the U.S.-Singapore Free Trade Agreement**

I. Purpose of the Committee Report

The purpose of this report is to provide the consensus advice of the Industry Sector Advisory Committee on Transportation, Construction, Mining, and Agricultural Equipment for Trade Policy Matters (ISAC 16) regarding the U.S.-Singapore Free Trade Agreement (FTA).

II. Executive Summary of Committee Report

The U.S.-Singapore Free Trade Agreement (FTA), as concluded between the two governments and shared with members of ISAC 16, provides for the elimination of tariff and non-tariff barriers to free trade between the United States and Singapore in a manner that provides for equity and reciprocity within the two primary sectoral areas represented by the Committee: 1) motor vehicles and equipment; and 2) agricultural equipment.

Key areas within the negotiated agreement of interest to ISAC 16 members include:

- Elimination of tariffs on products certified as meeting defined rules of origin;
- Improved protection of intellectual property rights; and
- Enhanced opportunities for Singapore's implementation and adherence to WTO obligations in the areas of customs, technical barriers to trade, and government procurement.

ISAC 16 members agree that the U.S.-Singapore FTA will enhance the export opportunities of these two major U.S. industries, while fostering improved protection of U.S. intellectual property and market access for American transportation and agricultural equipment in Singapore.

At the same time, the Committee strongly urges that the U.S. Government not consider the rules of origin for our sector in the U.S.-Singapore FTA Agreement or the U.S.-Chile FTA Agreement as an effective model for the pending Free Trade Area of the Americas (FTAA). In addition, ISAC 16 recommends that the U.S.-Singapore FTA origin rules for our sector be amended promptly to permit both a build-down as well as a build-up content calculation, as has been permitted in most other industry sectors.

III. Brief Description of the Mandate of ISAC 16

The current membership of ISAC 16 includes representatives of U.S. manufacturers of motor vehicles; motor vehicle components, modules, and assembled systems; and agricultural and construction equipment, including their components. These sectors are the focus of this report. The railway and mining equipment industries are not currently represented on ISAC 16.

IV. Negotiating Objectives and Priorities of ISAC 16

The negotiating objectives of ISAC 16 included:

- Immediate elimination of Singapore's remaining tariffs, subject to simplified rules of origin, on products within the scope of ISAC 16 as a step to reinforce trade liberalization in Southeast Asia;
- Full adherence of Singapore to WTO agreements and related obligations in the areas of customs, technical barriers to trade, protection of intellectual property, and government procurement.

The above two goals have been met in the final agreement.

For the most part, Singapore has not imposed tariffs on products of interest to ISAC 16, but the FTA will help reinforce ongoing U.S. efforts to achieve trade liberalization in other ASEAN countries in the coming years. ISAC 16 members support the U.S.-Singapore negotiations largely as a means to give new impetus to trade and investment liberalization in the ASEAN region.

Given the lack of significant manufacturing of motor vehicles, components, or agricultural equipment in Singapore and current U.S. duty-free trade on most items with that country, ISAC 16 recommended that the U.S.-Singapore rules of origin should be based on a simple framework of change in Harmonized Tariff Schedule codes, without additional stringent value-content measurements or tracing of value-content as included in the NAFTA. For the same reasons, however, ISAC 16 concluded that the U.S.-Singapore FTA rules of origin should not be viewed as a model for the Free Trade Area of the Americas (FTAA), which will include additional, significant, and complex ongoing trade relationships among motor vehicle and agricultural equipment manufacturers.

The Committee believes that, with one important exception, its advice regarding rules of origin in the U.S.-Singapore FTA was followed. To achieve necessary flexibility for U.S. companies now operating in Singapore, ISAC 16 recommends that both the "build-down" and "build-up" calculation methods be permitted for motor vehicle products (vehicles and parts) classified in chapter 87 of the HTS. This technical, but important adjustment should be made at the earliest possible opportunity.

This specific problem notwithstanding, the Committee believes that its advice regarding rules of origin in the U.S.-Singapore FTA was followed and that the resulting rules in the Agreement provide an appropriate balance between ensuring that FTA tariff reduction benefits accrue to U.S.- and Singapore-origin products on the one hand, while offering a reasonable cost of compliance to eligible producers seeking reduced tariffs and ultimately duty-free treatment as the Agreement is implemented. These rules also will limit Singapore's ability to become a larger indirect export platform to the United States for components originating in other Asian countries, all of which impose high tariffs on U.S.-origin goods entering their markets.

In addition, ISAC 16 recommended that the U.S.-Singapore FTA provisions on safeguards, technical barriers to trade, protection of intellectual property rights, and other important obligations should be designed to provide a logical foundation for future liberalization in these areas throughout Asia during the current Doha Round of WTO multilateral negotiations. The Committee believes that the U.S.-Singapore FTA provides such a foundation for the ongoing WTO negotiations.

V. Advisory Committee Opinion on Agreement

All members of ISAC 16 reviewed this report and concluded that the U.S.-Singapore Free Trade Agreement provides for the trade liberalization between the United States and Singapore in a manner that provides for equity and reciprocity within the two primary sectoral areas represented by the Committee: 1) motor vehicles and equipment; and 2) agricultural equipment. ISAC 16 members agree that the U.S.-Singapore FTA will enhance the export opportunities of these two major U.S. industries, while fostering improved protection of U.S. intellectual property and market access for American transportation and agricultural equipment in Singapore and the broader ASEAN region.

VI. Membership of Committee

Members of ISAC 16 include:

- Chris Bates, President & CEO, Motor & Equipment Manufacturers Association (Chairman)
- Dean Dort II, Representative, Deere & Company (Vice Chairman)
- Lee Kadrich, Vice President, Government Affairs & Trade, Automotive Aftermarket Industry Association
- Stephen Latin-Kasper, Director, Market Data and Research, National Truck Equipment Association
- Mustafa Mohatarem, Chief Economist, General Motors Corporation
- Linda Spencer, Director, Government & International Affairs, Specialty Equipment Market Association
- Thomas Trueblood, Director, Green Diesel Technology Public Affairs, International Truck and Engine Corporation