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Canada - Singapore - Free Trade Agreement Negotiations

Initial Environmental Assessment Report of the Proposed Canada-Singapore Free Trade Agreement

May 14, 2004

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1. EXECUTIVE SUMMARY

1. In October 2001, then Prime Minister Chrétien announced the launch of negotiations towards a Canada-Singapore Free Trade Agreement (CSFTA). In accordance with the 1999 *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, an environmental assessment (EA) is being conducted to assist Canada's negotiators in addressing potential environmental issues pertaining to this proposed bilateral free trade initiative.

2. Economic relations between Canada and Singapore are modest in absolute terms. In 2003, exports and imports accounted for approximately 0.12 percent (\$438 million¹) and 0.31 percent (\$1 billion) respectively of Canada's total trade in goods. Canada's services exports to Singapore were \$280 million (0.48 percent of total), and imports \$683 million (1.02 percent of total) in 2001, the latest year for which this data is available. In 2002, the

stock of Canadian foreign direct investment (FDI) in Singapore totalled \$5.1 billion (0.58 percent of Canadian outward holdings), while the stock of Singaporean FDI in Canada was valued at \$116 million (0.13 percent of the stock of inward investment in Canada).

3. The anticipated modest new economic activity resulting from the trade agreement is expected to yield meaningful economic benefits to Canada through improved market access into Singapore for Canadian goods, services and investment. A bilateral agreement with Singapore also has the potential to yield meaningful strategic benefits. Singapore is a dynamic and innovative country, a preeminent hub for finance and high technology in Southeast Asia, and a gateway into the region. Given Singapore's free port status (i.e. virtually 100 percent of Canadian exports already enter Singapore duty-free), economic gains to Canada will be concentrated in the areas of investment and services. Benefit could also be realised through an increase in trade that usually occurs as a result of an increase in profile of the bilateral relationship pursuant to the signing of a free trade agreement. There are potentially significant opportunities for Canadian business in the financial services, information technology, biotechnology, environmental industries, and aerospace and defence equipment sectors.

4. This environmental assessment, which is in its "Initial" phase, focuses on potential environmental impacts on Canada. Consistent with the 2001 *Framework for Environmental Assessment of Trade Negotiations* that outlines the process for conducting EAs, impacts on Singapore and elsewhere are not included in the scope of analysis. The Initial EA examines the coverage of negotiations and the overall economic relevance in the Canadian context. It identifies the *likely* environmental impacts (positive and negative) on Canada, if any, of trade-induced economic and regulatory changes, and assesses their *significance*. The EA then identifies mitigation and/or enhancement measures, as appropriate.

5. The Initial EA takes into account the fact that Canada currently has in place a framework of policies and legislation for the protection of the environment. Canada will ensure that it preserves its ability to set environmental policy consistent with our other domestic and international obligations.

6. The analysis performed for this Initial EA suggests that, in the aggregate, no significant environmental impact in Canada is expected from potential increases in trade or in investment with Singapore as a result of the proposed bilateral free trade agreement. This finding is due, in part, to one or a combination of the following factors: (1) incremental trade liberalisation resulting from the CSFTA affects only a small proportion of Canada's trade (the bulk already being subject to NAFTA and other bilateral free trade agreements); (2) certain aspects of the negotiations seek to create a rules-based trading system, which will facilitate trade by creating a consistent international framework in which to conduct trade, but may not directly translate into increased production or trade; and, (3) any potential adverse environmental impacts are likely to be mitigated, or prevented, through existing federal and provincial environmental legislation.

7. In addition, separate but parallel labour and environmental cooperation instruments are being pursued in conjunction with the Canada-Singapore FTA. In the environmental context specifically, the intention is to foster protection and improvement of the environment in the territories of Canada and Singapore, and to promote sustainable development based on co-operation and mutually-supportive environmental and economic policies. The FTA and environmental cooperation agreement, *inter alia*, also offer

excellent potential for strengthened cooperation between our two countries to combat the global illegal trade in endangered species.

2. OVERVIEW OF THE ENVIRONMENTAL ASSESSMENT PROCESS

8. Pursuant to the 1999 *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, and in accordance with the 2001 *Framework for Environmental Assessment of Trade Negotiations* (the "Framework") an environmental assessment is being conducted to inform the negotiators and the public of the potential environmental effects of a Canada-Singapore Free Trade Agreement (CSFTA) on Canada. The Framework establishes a systematic process and analytical requirements for conducting EAs of trade negotiations. It was developed to improve coherence of trade and environmental policies within and among Canadian federal departments, while supporting the Government's commitment to sustainable development.

9. Environmental assessments of trade negotiations have two key objectives:

- ⚡ to assist Canadian negotiators in integrating environmental considerations into the negotiating process by providing information on the likely and significant environmental impacts of an initiative, as well as possible options to mitigate adverse effects or to enhance positive effects; and,
- ⚡ to provide a means of addressing public concerns about environmental factors during the negotiation of trade agreements.

10. An interdepartmental steering committee, co-ordinated by Foreign Affairs Canada, is responsible for ensuring that assessments are conducted for all new trade negotiations in accordance with these objectives. An EA Committee is established for each trade negotiation and includes representatives from Foreign Affairs, International Trade Canada, Environment Canada, the Canadian Environmental Assessment Agency, and other relevant federal departments depending on the nature of the negotiations. The Framework also provides for opportunities for input from the provinces and territories, the Canadian public, and the Sectoral Advisory Groups on International Trade (SAGITs) that advise the Minister of International Trade on trade-related issues.

11. The EA process has three main phases – Initial, Draft, and Final – designed to expand the scope and depth of analysis with each successive phase. The Initial EA, carried out for all negotiations of new free trade agreements is a scoping exercise aiming to identify the main environmental issues likely to arise as a result of the proposed trade agreement. The Draft EA phase elaborates on the Initial EA by providing a more thorough examination and assessment of environmental impacts of the prospective trade negotiation. The Final EA, released after the conclusion of the negotiations, details the outcome of the negotiations as related to the EA process, as well as any new information related to the EA or to trade negotiations. A report is produced and released to the public at the conclusion of each phase.

12. In the event that the Initial EA does not identify likely and significant environmental impacts, the full EA process is not required. In such a circumstance, the findings of the Initial EA would be documented and publicised, and the public would be invited to comment. In addition,

environmental factors would continue to be considered on an ongoing basis throughout the course of the negotiations. No further EA reporting action would be pursued, however, unless warranted by new information.

13. The environmental assessment for the Canada-Singapore free trade negotiations is in the Initial phase, and the Government of Canada welcomes comments on the information contained in this report. Feedback on the analysis of the issues identified as likely to be economically significant as a result of the negotiations, and the preliminary assessment of the likelihood and significance of resulting environmental impacts are especially welcome. In addition, the EA Committee would appreciate any views on the options to mitigate potential negative environmental impacts or those to enhance potential positive effects. Comments on this document may be sent by email, mail or fax to:

Initial Environmental Assessment of the Canada-Singapore Free Trade
Negotiations
Trade Policy Consultations Liaison Division (EBC)
International Trade Canada
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario
K1A 0G2
Fax: (613) 944-7981
Email: consultations@dfait-maeci.gc.ca

3. ASSESSMENT METHODOLOGY

14. Pursuant to the EA Framework, this Initial environmental assessment is being conducted in an *ex ante* fashion (before the negotiations are completed). It must be underscored that this is a *strategic* assessment and is intended to inform the decision-making process as the proposed free trade agreement (FTA) is being negotiated. Consequently, there is a fair degree of uncertainty associated with identifying likely economic and environmental impacts. The Initial EA is, therefore, more of a 'forecasting' or 'anticipatory' exercise. Nevertheless, the analysis allows for the early clarification of national goals and priorities with respect to trade and environmental interests, as well as for any mitigation and enhancement options that can be taken into account while the trade negotiations are underway.

15. Consistent with the methodology prescribed in the Framework, this assessment explores the link between trade rules and regulatory policy and focuses on *the incremental* economic and the potential environmental impacts of the prospective Canada-Singapore FTA on Canada - that is, the effects of new trade that may result directly from the proposed trade agreement. Transboundary, regional and global environmental impacts of the CSFTA are considered insofar as they have a direct impact on the Canadian environment. In addition, EAs are being conducted on Canada's other international trade negotiations, such as the World Trade Organization (WTO) and the Free Trade Areas of the Americas (FTAA) process, and are available online at <http://www.dfait-maeci.gc.ca/tna-nac/menu.en.asp>.

16. The analytical steps of this study are as follows.

- ⚡ **Identification of likely economic effects for Canada that will result from the proposed trade agreement.** The purpose of this stage is to identify the trade liberalisation activity of the agreement

under negotiation. This stage will examine what the potential agreement would entail, the changes or new trade activity that could result, and the overall economic relevance to Canada. This will help to determine the scope of analysis required for the environmental assessment and to prioritise the issues to be assessed.

- ⚡ **Identification of likely environmental effects (both positive and negative) within Canada.** Once the economic effects of the proposed trade agreement have been identified and characterised, the likely environmental impacts of such changes will be addressed. There are two main factors that contribute to likelihood: exposure and probability. For the purpose of this EA, “environment” refers to the components of the Earth – which includes land, water, and air (all layers of the atmosphere); all organic and inorganic matter; living organisms; and, the interacting natural systems that include components of the foregoing. Please note that the EA is intended to highlight the *likely incremental* impacts only on *Canada*.
- ⚡ **Assessment of the significance of the likely environmental effects identified.** The likely environmental impacts that are identified are then assessed as to their significance. The Framework outlines a number of criteria in determining significance, including frequency, duration, permanency, geographical scope and magnitude, level of risk, irreversibility of the impacts, and possible synergies among the impacts. This study uses the following scale in relation to the criteria outlined above to describe significance: none, minimal, moderate, high and extreme.
- ⚡ **Identification of enhancement/mitigation options for any positive/negative environmental impacts to inform the negotiations.** In the Initial EA, this step is intended to identify, in a preliminary fashion, the possible policy options or actions to address negative impacts and/or to enhance positive impacts that may occur as a result of the proposed free trade agreement.

4.0 BACKGROUND

17. Following Singapore’s proposal to Canada to pursue the negotiation of a bilateral free trade agreement, then Canadian International Trade Minister Pierre Pettigrew and Singapore’s Trade and Industry Minister George Yeo announced on June 5, 2000, that the two countries would begin exploring such a possibility. Canadian and Singaporean officials met twice to discuss the potential scope of an agreement, and the Government of Canada launched a comprehensive domestic consultations process.

18. On October 21, 2001, on the margins of the Asia-Pacific Economic Cooperation (APEC) Economic Leaders Meeting in China, former Prime Minister Jean Chrétien and his Singaporean counterpart, Prime Minister Goh Chok Tong, announced the official launch of negotiations towards a bilateral free trade agreement. Formal negotiations commenced in January 2002, and a number of rounds have subsequently been held.

19. Singapore represents one of Asia’s most dramatic economic success stories. A city-state at the southern tip of the Malay Peninsula, Singapore consists of the island of Singapore and 54 adjacent islets covering an area of 626 square kilometres (slightly larger than Montreal). Singapore has a population of four million, of which approximately 750,000 are expatriates or foreign workers, of which there are an estimated 8,000 Canadians. Canada

and Singapore have enjoyed a longstanding bilateral friendship, which has been further strengthened by co-operation in multilateral fora, such as the Commonwealth, the World Trade Organization, APEC, and the ASEAN (Association of Southeast Asian Nations) Regional Forum. A growing number and variety of links exist between Canada and Singapore in commerce, science and technology, education, culture and the arts, entertainment, and law and security.

20. A bilateral trade agreement with Singapore has the potential to yield meaningful economic and strategic benefits. A gateway into Asia, Singapore is a strategically placed trading partner for Canada. This agreement will be an important factor in contributing to Canada's efforts in solidifying links in the Asia-Pacific region. Moreover, it will be a step forward in achieving APEC's "Bogor Goals" of free and open trade and investment in the region by 2010 for developed economies and by 2020 for developing economies (<http://www.apec.org>). Finally, a free trade agreement with Singapore will provide momentum to advancing multilateral negotiations at the WTO.

21. Given Singapore's free port status - nearly all of Canadian exports enter Singapore duty-free – economic gains for Canada would be concentrated in investment and services. High-growth, knowledge-intensive, export-oriented Canadian service sectors, such as financial and professional services, would stand to benefit the most from an FTA by taking advantage of Singapore's strengths as a pre-eminent hub for financial, commercial, high technology, distribution, and investment services in the Southeast Asia region. Other opportunities for Canadian businesses exist in the information technology, biotechnology, environmental industries, aerospace and defence equipment sectors.

22. The Canada-Singapore FTA negotiations cover a wide range of topics, including: trade in goods, trade in services, financial services, investment, government procurement, dispute settlement and competition policy. The CSFTA will not impact on Canada's ability to regulate in the public interest in sectors such as health, public education, social services and culture. Canada will also maintain its right to protect the Canadian environment.

23. In addition, Canada is seeking to address environmental and labour considerations both in the trade agreement, as appropriate, and in co-operation agreements that are being negotiated in parallel with the FTA. These agreements are intended to help ensure that trade and investment liberalisation is not achieved at the expense of good labour and environmental practices. In the environmental context specifically, the objectives of the agreement are to foster protection and improvement of the environment in the territories of Canada and Singapore, and to promote sustainable development based on co-operation and mutually-supportive environmental and economic policies.

4.1 Overview of the Trade and Investment Relationship Between Canada and Singapore

24. As a small economy with few natural resources, Singapore is heavily reliant on trade. Between 1997 and 2001, in its role of entrepôt for the region, Singapore re-exported 40 to 48 percent of its imports². Over the past few years, the output of its manufacturing industry has changed to higher value-added and less labour-intensive products, and services have become a more significant contributor to growth. Canada's trade and investment relationship with Singapore has traditionally been small in absolute terms.

Trade in Goods

25. In 2003, Canada's exports of goods to Singapore were approximately \$438 million, representing 0.12 percent of Canada's total goods exports. For the same year, imports from Singapore valued about \$1 billion, or 0.31 percent of Canada's total imports. Aggregate two-way trade between Canada and Singapore has grown only very slightly during the past decade, whereas Canada's total exports and imports have experienced steady and remarkable growth. In 2003, key Canadian exports to Singapore included electronics and integrated circuits, electrical apparatus, and aircraft and machinery parts (see Table 1 in the Appendix). The principal Canadian imports from Singapore during that year consisted of computers, computer parts and peripheral equipment, and electronics and integrated circuits (see Table 2 in the Appendix).

Trade in Services

26. Canada's exports of services to Singapore amounted to \$280 million in 2001 (the last year for which statistics are available) – with transportation services being the key contributor. During the same year, Canada's services imports from Singapore were valued at \$683 million (preponderantly in international transportation services). Canada's trade in services with Singapore is summarised in Table 3 of the Appendix for the years 1992 to 2001.

27. Singapore is one of the leading financial centres in Asia with some 700 local and foreign financial institutions offering a wide range of financial services and products. Financial services account for about 11 percent of Singapore's gross domestic product (GDP³). Canadian financial institutions are very active in Singapore – four of Canada's major banks, and a few insurance and mutual fund companies are established there. Collectively, they account for the majority of the Canadian direct services investment in Singapore, making financial services Canada's most important services "export" interest in that country.

Foreign Direct Investment

28. Canadian foreign direct investment (FDI) in Singapore has slowly but steadily climbed over the past ten years, totalling \$5.1 billion in 2002. An estimated 70 Canadian businesses have established operations in Singapore. While most of the Canadian investment in Singapore is in the form of regional offices in services sectors such as banking and insurance, Canadian firms in the information and communications technology, aerospace, tourism, environmental and retail sectors also have a presence. Singapore is an important capital exporter (it had a total stock of investment abroad of \$220 billion in 2001), but its FDI holdings in Canada were only valued at \$130 million that year. Canada-Singapore FDI activity since 1993 can be found in Table 4 of the Appendix.

5.0 FINDINGS OF THE INITIAL ENVIRONMENTAL ASSESSMENT**5.1 Expected Economic Effects**

29. The purpose of this section is to identify the expected economic impacts for Canada that will likely result from the proposed trade agreement with Singapore. This section establishes what the trade agreement will likely

entail and the overall economic relevance of the agreement to Canada. It seeks to anticipate likely increases or decreases of imports, exports and investment; whether the economic effects are likely to be concentrated in any particular region of Canada; and, whether changes in domestic economic policy or regulations may be required as a result of the agreement. This will help to determine the scope of analysis required for this environmental assessment and to prioritise the issues to be assessed.

Trade in Goods

30. The proposed FTA will seek to eliminate remaining tariffs and associated non-tariff measures between Canada and Singapore. Canadian negotiators will work at increasing co-operation with Singapore to make trade procedures more efficient, including through trade facilitation measures and customs procedures designed to provide certainty, transparency and effective verification. Rules of origin that are transparent, predictable and consistent in application will be developed to ensure that the benefits negotiated under the trade agreement accrue only to its Parties.

31. With respect to goods trade, a useful way to predict where there may be changes in economic activity as a result of the FTA is to examine the current tariff levels and trade patterns between the trading partners. Virtually all imports into Singapore (except beer, samsoo, and stout) enjoy tariff-free access, given the country's free port status. While some Singaporean exports are not currently subject to Canadian tariffs, one purpose of the FTA will be to bring almost all tariff rates to zero over time. However, since Canada's goods trade with Singapore represents a small percentage of our total - the impact of the elimination of tariffs associated with the FTA is expected to be very modest in the aggregate.

32. Canada continues to maintain significant duties on certain industrial products for which Singapore has strong domestic capability, include cotton apparel and ships, dutiable at 18 percent and up to 25 percent respectively. For certain other products (e.g. furniture, plastics, certain chemicals, industrial machinery), where Canada maintains moderate tariffs, Singapore is highly competitive in petrochemicals. Canada's remaining tariff rates are modest. The proposed FTA may enhance the competitiveness of Singaporean products in these sectors, as well as lower the cost of certain consumer products and industrial inputs for Canadians. It is expected that any increases in imports, however, will be minimal. Since there will be only a handful of tariff reductions by Singapore pursuant to an agreement, there is unlikely to be a significant trade creation, although there is usually some increase in trade as the bilateral relationship is enhanced pursuant to the signing of an FTA, and also little or no trade diversion from existing Canadian export markets as there will be no change in relative prices.

33. **Information Technology:** Components for information technology (IT) and telecommunications equipment are, by far, the most significant imports from Singapore. A large number of these products already enter Canada duty-free under the WTO Information Technology Agreement (ITA), to which both Canada and Singapore are signatories. Globally, Singapore is the third largest exporter and importer of IT and telecommunications equipment. The FTA can be expected to provide some modest stimulus for enhanced trade in those IT sectors for which there are remaining tariffs. Discussions are continuing as to possible approaches to further trade in products incorporating high technology.

34. **Textiles/Apparel:** In a free trade agreement with Singapore, apparel

products would be more affected than textiles, as the ratio of our current imports between these two sectors is over 9:1. Singapore has not been very active in using its Canadian quota in clothing, utilising only around 10 percent in 2003; it did not use any of its quota in textiles for the same year. Quotas in clothing and textile products are, in any case, to be phased out under the WTO Agreement on Textiles and Clothing by the end of 2004. In 2003, textile and apparel imports from Singapore represented a modest \$19.8 million out of total Canadian textile and apparel imports of \$11.4 billion (approximately 0.17 percent). With tariff removal, imports from Singapore would be expected to increase somewhat, particularly for certain higher value apparel products. While Singapore is not known as a major apparel producer, concern has been expressed by the industry as to the possibility of illegal transshipment. Verification and enforcement of the agreement will be important to ensuring that the rules of origin of the agreement are respected. Canada has also taken a clear position that it will not extend preferential access under the agreement to textile and apparel goods produced outside the territory of Singapore.

35. Agricultural Products: The exception to Singapore's free port status is on a few agricultural tariff lines: beer, stout and samsoo liquor incur a per litre rate of duty. Canadian exports of these specific products have in the past been variable and account for a small share of our overall agri-food exports to Singapore. Canadian beer, however, might benefit to a certain degree in Singapore from a duty-free advantage over other foreign competitors as a result of this FTA – although existing Singaporean FTAs with a number of countries (e.g. New Zealand, Australia, Japan and the United States) mean that beers from those countries already benefit from tariff-free entry into Singapore.

36. Fish products: The value and quantity of fish and seafood products exported to Singapore is not expected to increase as a result of a free-trade agreement with Singapore. Canada's fish and seafood products already enter Singapore duty-free. In addition, only a negligible share of Canada's total fish and seafood exports are currently destined to Singapore.

37. Rules of Origin and Customs Procedures: The economic analysis within this section is based on the assumption that Canada will not depart substantively from rules of origin developed in its recent FTAs. The rules of origin in Canada's existing FTAs are designed to ensure that the benefits of the FTA are extended only to its Parties. This is important in the case of the Canada-Singapore negotiations, as Singapore has been seeking means to cover its interests concerning outward processing, or in other words, is seeking duty exemptions on the value content of goods sent abroad for further processing or assembly. A number of Canadian industries and organisations are also concerned about illegal transshipment through Singapore of products that are manufactured in other countries or that are environmentally protected. In either the case of outward processing or illegal transshipment, however, Canadian negotiators are giving careful consideration to ensuring that the integrity of the FTA is preserved – through clear rules of origin based on our existing models, and through effective customs procedures, particularly with respect to verification and enforcement.

Trade in Services

38. While trade in services is not subject to traditional trade barriers like tariffs, non-tariff or regulatory barriers still exist and their removal or reduction is one of the objectives of the FTA. Some of these restrictions involve citizenship or residency requirements, licensing or registration

requirements, local partner requirements, and ownership or management limitations.

39. High-growth, knowledge-intensive, export-oriented Canadian services sectors, such as financial and professional services, would stand to benefit most from an FTA with Singapore. Some Singaporean service sectors of export interest to Canada are professional services, telecommunications services, environmental services, financial services and transport services. Canada's objective in the FTA is the removal of the existing barriers to its trade in services to Singapore market. However, it is unlikely that Canadian exports of services to Singapore will significantly increase in the short to medium term as a result of the FTA. Canada's overall trade in services with Singapore is relatively small and is not likely to increase in any significant manner as a result of the FTA.

40. No domestic regulatory changes are anticipated as a result of an FTA with Singapore. The Canadian government will preserve its ability to regulate in the public interest in sectors such as health, public education, social services and culture. Canada will also maintain its right to protect the Canadian environment.

Investment

41. The investment relationship between Canada and Singapore has been largely positive, even though Singapore maintains foreign ownership restrictions in the form of investment ceilings, in certain key sectors, including financial services and energy. An FTA with Singapore will provide more certainty and predictability for businesses and would enable Canada to press Singapore for better access to the Singaporean market for Canadian firms, including in the area of financial services. The negotiations will take into account Canada's experience with existing trade and investment agreements. The resulting agreement will not require any changes to existing domestic legislation.

42. Investment from Singapore represents only a very small proportion of total foreign investment in Canada. In view of the current trend, even a significant economic change in investment from Singapore would be small in scale compared to the overall level of investment in Canada, and any environmental impact is expected to be minor.

43. Nonetheless, environmental concerns have been expressed regarding the inclusion of rules on investment in Canada's FTAs. Principally, concerns have been raised regarding the language in recent international investment agreements governing the relationship between investors and the states that are Parties to the agreements. Criticism has been focussed on investment dispute-settlement provisions, which, it is argued, incorporate the principle that entities other than the signatories to the agreement can be granted rights but are not bound by any obligations, including obligations to protect the environment.

44. The reality is that foreign investors in Canada are bound by the same environmental regulations that govern the activities of domestic investors. Canada, as it has done in all previous investment agreements, fully intends to maintain its right to regulate in the public interest in sectors such as health, public education, social services and culture. Canada will also maintain its right to protect the Canadian environment.

Government Procurement

45. Many large dollar value goods and services procurements of the Government of Canada are already open to Singaporean companies, and similarly, Singapore government procurement is open to Canadian companies under the WTO Agreement on Government Procurement. In the context of the bilateral FTA negotiations, Canada is seeking to enhance market access and transparency in government procurement to facilitate trade in this area. The focus of the FTA will be procurement incremental to the WTO Agreement to include goods and services of interest to Canadian suppliers. Thus, in view of the nature of the existing relationship, the expected economic effects of liberalised government procurement under the FTA are expected to be modest.

Other Areas

46. Canada is seeking provisions on competition policy, trade remedies, technical barriers to trade, dispute settlement and institutional arrangements to provide a transparent and predictable set of principles governing trade and investment between Canada and Singapore. Since Canada will not be taking on any commitments that would require changes to its domestic policy, it is expected that provisions in the FTA in these areas will not have any significant economic impact on Canada.

5.2 Assessment of Likely and Significant Environmental Impacts

47. This section of the EA focuses on the likely environmental impacts that could stem from the economic effects of the proposed FTA identified in the preceding section and assesses their significance. Please note that this analysis is intended to highlight only the likely and significant incremental environmental impacts on Canada pursuant to the increased economic activity that flows from the conclusion of a trade agreement with Singapore.

48. As mentioned in the previous section, Canada's trade (goods and services) and investment flow with Singapore is relatively modest (about 0.4 percent of Canada's total). Even if trade or investment between Canada and Singapore were to increase substantially as a result of the FTA, the economic effects on Canada would remain small in relative terms. As such, any environmental impact on Canada would be minimal in the overall context.

Trade in Goods

49. Any environmental impacts on Canada stemming from the liberalisation of trade in goods under the proposed Canada-Singapore FTA are expected to be minor at most. As virtually all exports already benefit from duty-free access into Singapore, the FTA is unlikely to lead to a substantial increase in production of Canadian goods. Similarly, any economic growth associated with the reduction of tariffs on Singaporean goods would be negligible in Canada, as any increased production would mostly take place outside of Canadian territory.

50. In respect of fish products, it is expected that there will be no environmental impact on the sustainability of Canadian fish stocks or on Canada's marine environment as a result of a trade agreement with Singapore. Given that Singapore does not currently apply tariffs on Canada's exports of fish and seafood products, export levels of farmed and wild product are not expected to increase. In addition, most Canadian fisheries are subject to a total allowable catch based on limits that ensure that the total stock is harvested at a sustainable level, and new aquaculture

sites or site expansion is subject to the *Canadian Environmental Assessment Act*. Similarly, Canadian tariff reductions on Singaporean goods are not likely to increase overall demand significantly because most Singaporean fish and seafood products already enter Canada duty-free.

51. Rules of Origin and Customs Procedures: While the ultimate impact of the FTA vis-à-vis rules of origin is still open to question, Canada is seeking clear rules of origin and effective customs procedures in order to ensure that the benefits of the FTA extend only to Canada and Singapore. In terms of potential impacts on Canada's environment, by virtue of the volume of trade through Singapore's ports and its role as a major regional transshipment centre, one area of concern is the illegal transshipment through Singapore of environmentally sensitive goods, including endangered or protected species.

52. However, Singapore has regulations regarding species listed with the *Convention on International Trade in Endangered Species of Wild Fauna and Flora* (CITES) that meet or exceed those of other countries, and enforcement is of a good standard. Compliance with CITES in Singapore is administered by the Agri-Food and Veterinary Agency (AVA). Singapore became a CITES member in 1987, and in 1989 enacted import and export legislation, also known as the *Endangered Species Act* (ESA), which is similar to Canada's WAPPRIITA (*Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act*).

53. From information collected by Canadian officials, it would appear that Singapore does in fact have adequate regulations to combat the illicit trade in endangered species and derivatives, given the volume of traffic, and the resources available to the AVA. Singapore's legislation seems equivalent to Canada's. Similar to the Canadian Wildlife Service (CWS), the AVA carries out all enforcement duties without the direct assistance of the police or Customs, although both have been trained by the AVA and are empowered to inspect and detain shipments and individuals in violation of the ESA. AVA officers are trained investigators and have very broad search powers. The AVA does not have a dedicated intelligence unit; however, it does team up with Customs to detect particular high-risk targets.

Trade in Services

54. One of the potential economic impacts for Canada of the proposed free trade agreement with Singapore may be growth of Canadian services exports, particularly in the financial services industry. However, direct and significant environmental impacts in Canada from an increased presence in the Singaporean financial services market are highly unlikely. Negative environmental effects could arise indirectly from increased economic growth in general or services-based sectors associated with the production of goods – whether through returns from Canadian services exports or through an increase of Singaporean services in Canada – as this tends to increase the consumption of energy and other commodities, and produce more waste. Due to the levels of trade, however, any environmental impacts of this sort are expected to be minimal. On the other hand, trade liberalization could also have a positive impact by promoting the wealth and efficiencies needed to reduce environmental waste.

Investment

55. An increase in Singapore's foreign direct investment in Canada could lead to environmental impacts in this country, depending on the degree of

the increase, the areas of investment, and the kinds of policies in place to protect the environment. Canadian foreign direct investment in Singapore results in a transfer of funds from Canada into the Singaporean economy, and as such, any resultant environmental effects would occur in Singapore, which is outside the scope of this exercise.

56. In the case of increases or changes to the flow of Singaporean FDI into Canada stemming from the negotiation of an FTA, it is anticipated that increases would be relatively minor. Assuming that investment from Singapore would continue to follow its current pattern and flow primarily into the areas of financial services, real estate, and the manufacturing sector, the associated environmental impacts would be minimal. These are mature, competitive and well-regulated industries in Canada. Furthermore, considering the much larger overall investments in these sectors by other sources, even a doubling of Singaporean investment would not significantly affect any of these industries – economically or environmentally.

Government Procurement

57. Since Canada will not be taking on any procedural or regulatory commitments that are different from current federal government practice and any increases in economic activity would be modest, it is expected that negotiations on government procurement with Singapore will not have any environmental impacts.

Other Areas

58. Canada will not be taking on any commitments in the areas of, competition policy, trade remedies, technical barriers to trade, dispute settlement and institutional arrangements that would require changes to its domestic policy. No environmental impact is anticipated by virtue of the fact that these provisions in the FTA are not expected to increase or decrease economic activity.

6.0 ENHANCEMENT AND MITIGATION OPTIONS

59. The preceding steps of analysis in this Initial EA have examined likely and significant economic and environmental impacts of the proposed Canada-Singapore Free Trade Agreement. This stage is intended to identify potential policy options or actions that could address the anticipated negative impacts and enhance the prospective positive impacts. There are no likely and significant environmental impacts identified as an outcome of these negotiations, with the one possible exception involving the potential for illegal transshipment of endangered species through Singapore to Canada.

60. An FTA with Singapore is not expected to increase the level of trade – legal or illegal – in endangered or threatened species. On the contrary, increased co-operation between customs officials and between the Canadian Wildlife Service and the Singaporean Ministry of Agriculture and Veterinary Services on best practices and a joint review of CITES permit potential may reduce the level of illegal trade. Both the proposed FTA and the proposed Canada-Singapore Environmental Co-operation Agreement (environmental side agreement) offer excellent potential for strengthened co-operation between our two countries to combat the global illegal trade in endangered species. Indeed, the CWS identifies many areas of mutual benefit to partnering with Singapore in the fight against the illicit trade in

endangered species, such as information/intelligence -sharing, best practices and a joint review of CITES permit potential. These are areas that are being considered for co-operation in the proposed environmental side agreement with Singapore. Moreover, other Canadian enforcement authorities will be able to strengthen the contacts with their counterparts in Singapore and to work together to exchange intelligence information and to investigate cases that may be brought to their attention.

7.0 CONCLUSION

61. Believing that trade and environment policies should be mutually supportive, it is Canada's practice to pursue the FTA goals of growth and development through enhanced economic integration in a manner consistent, among other things, with environmental protection and conservation. Undertaking environmental assessments is an effective way to address potential environmental impacts that may result from the negotiation of a free trade agreement. The EA process is a mechanism through which the Canadian environment may be better protected in trade negotiations. It does this by assisting decision-makers in understanding environmental implications of trade policy and by improving overall policy coherence at the national level.

62. Our approach from the outset of the trade negotiations with Singapore has been to ensure that language reflecting environmental priorities is included as appropriate in the proposed FTA, in particular in the preamble, objectives, investment, dispute settlement, and general exceptions provisions of the agreement. A separate but parallel environmental co-operation instrument is also being pursued. This instrument is being negotiated in conjunction with the Canada-Singapore FTA and will be consistent with the focus on strengthening the domestic environmental management systems found in existing side agreements to which Canada is a party (including NAFTA, Chile and Costa Rica). It is envisaged that the instrument will contain commitments to high levels of environmental protection and effective enforcement of domestic environmental laws, including through co-operative activities.

63. The conclusion of the Canada-Singapore Free Trade Agreement will strengthen the already positive relationship enjoyed between our two countries. In addition, the anticipated modest new economic activity resulting from the trade agreement is expected to yield meaningful economic benefits to Canada through improved market access into Singapore for Canadian goods, services and investment, as well as provisions that will ground the trading relationship between Canada and Singapore in a coherent rules-based system, thereby making it more predictable and secure. These minimal economic effects, while important, will be modest relative to Canada's overall trade activity, and as a consequence, the resultant environmental impact is not expected to be significant. Therefore, the Initial environmental assessment of the CSFTA does not anticipate likely and significant environmental impacts on Canada.

64. In these circumstances, according to the EA Framework, the full EA process is not required. As a result, this assessment will not proceed *unless* new information becomes available that would warrant further consideration. Indeed, should the negotiations with Singapore take a path that may lead to environmental effects not yet explored in this study, steps will be taken to ensure they are assessed. In addition, the findings of the Initial EA, published herein, as well as any new public comments received, will continue to inform Canadian negotiators.

APPENDIX: HISTORICAL TRADE DATA BETWEEN CANADA AND SINGAPORE
Table 1: Top 25 Canadian Exports to Singapore by HS Code
Source: Industry Canada Strategis with data from Statistics Canada/Report
Date:
Report Date: March 29, 2004

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	<i>Value in Thousands of Canadian Dollars</i>									
8542 - electronic integrated circuits and microassemblies	2,921	6,143	16,765	16,608	19,088	13,022	15,622	17,485	147,602	37,978
8517 - electrical apparatus for telephonic line use (incl. telephones and modems)	7,694	20,513	22,044	15,503	13,034	8,217	18,065	14,772	22,376	26,848
8411 - turbo-jets, turbo-propellers and other gas turbines	13,675	8,227	31,618	37,229	33,649	26,623	35,681	31,812	44,010	23,682
8105 - cobalt and articles thereof	4,652	15,172	18,423	34,471	47,263	26,464	14,879	8,973	12,644	20,715
2710 - preparations of/non-crude petroleum oils and oils obtained from bituminous minerals	16	8	66	190	331	190	483	296	8,604	16,398
7502 - unwrought nickel	8,516	19,047	15,355	21,223	14,965	8,106	30,795	33,125	28,081	14,943
4801 - newsprint - in rolls or sheets	48,572	57,777	87,354	32,395	16,366	18,210	19,337	16,500	6,502	13,264
8473 - parts and accessories for computers and other office machinery	4,522	15,003	37,379	47,935	44,333	5,856	4,723	4,979	5,161	13,102
9015 - surveying, hydrographic, oceanographic, meteorological, or geophysical instruments	951	312	1,066	588	4,184	668	710	1,126	1,411	11,384
8479 - other machinery nes	6,757	5,571	5,586	5,360	4,957	7,559	4,333	4,081	9,327	9,584
8477 - machinery for working	532	735	879	4,304	1,723	4,470	12,092	4,666	10,398	8,875

rubber or plastic nes										
5402 - synthetic filament yarn	669	330	5,627	1,171	289	1,744	2,837	2,604	5,363	6,758
1201 - soya beans (whether or not broken)	9,831	10,670	8,904	9,744	7,261	5,468	5,326	12,141	5,488	6,699
8414 - air/vacuum pumps, air/gas compressors and fans; ventilating hoods with fans	371	692	1,153	298	1,103	137	224	116	4,882	6,671
1514 – rape (canola), colza, or mustard oil and their fractions – not chemically modified	1	92	278	3,597	591	10,747	2,332	6,408	1,394	6,571
3815 – supported catalysts and catalytic substances or preparations	--	--	--	--	--	--	2,542	5,603	1,373	6,424
8529 – parts for radio, television, radar and other similar apparatus	2,759	2,354	12,109	5,394	7,589	1,105	2,326	4,016	2,549	6,395
8471 – computers and computer peripherals	5,929	7,131	9,721	19,727	7,169	4,902	5,149	6,828	4,355	6,340
8481 - taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats and the like	5,594	6,496	6,352	4,366	6,553	4,554	5,877	8,225	10,521	6,285
8431 - parts for machinery (hs 8425-8430)	6,761	9,962	9,684	13,370	7,995	10,958	7,285	14,599	10,484	6,226
8426 – derricks; cranes; mobile lifting frames and other lifting machinery	36	157	--	--	163	3,984	1	3,956	2,510	5,623
8803 – parts of helicopters, airplanes, balloons, dirigibles and spacecraft	2,947	2,851	3,998	2,118	5,288	2,593	4,543	2,434	3,926	5,183

9027 – instruments and apparatus for physical or chemical analysis	473	786	2,057	2,327	1,451	1,660	2,204	2,049	1,939	5,032
8710 - tanks and other motorized armoured fighting vehicles (including parts)	4	--	--	--	--	--	--	4,678	5,138	4,831
8421 – centrifuges; filtering or purifying machinery and apparatus for liquids or gases	850	2,951	1,123	1,334	4,482	1,299	12,038	10,651	4,621	4,710
Sub-total	135,030	192,979	297,540	279,251	249,827	168,536	209,404	222,124	360,658	280,519
Others	249,026	307,141	275,125	268,228	174,343	219,266	163,598	173,048	215,368	157,597
Total (all products)	384,056	500,121	572,665	547,479	424,170	387,802	373,002	395,172	576,026	438,116

Table 2 - Top 25 Canadian Imports from Singapore by HS Code

Source: Industry Canada Strategis with data from Statistics Canada
Report Date: March 29, 2004

	1994	1995	1996	1997	1998	1999	2000	2001	20
	<i>Value in Thousands of Canadian Dollars</i>								
8471 - computers and computer peripherals	405,159	492,553	540,634	599,918	607,726	564,701	434,651	415,465	445,
8473 - parts and accessories for computers and other office machinery	258,789	282,233	209,431	192,485	161,461	149,720	151,541	130,113	120,
8542 - electronic integrated circuits and microassemblies	71,024	108,945	81,356	83,922	92,616	110,323	334,679	152,207	68,8
8525 - transmission apparatus for tv/radio broadcasting	1,313	2,360	4,364	9,109	7,382	14,956	30,433	30,311	13,0
2937 - hormones and their derivatives (incl steroids used primarily as hormones)	--	--	--	--	11,301	21,746	29,270	18,983	26,1
8527 - radio receivers (incl	54,681	51,580	31,422	26,147	30,686	30,560	30,735	29,184	22,9

combined with cassette recorders); pagers									
2930 – organo-sulfur compounds	--	--	--	--	--	--	--	--	--
2933 - heterocyclic compounds with nitrogen hetero-atom(s) only; nucleic acids and their salts	--	--	--	599	1,288	25,826	23,470	30,907	14,6
4901 - printed books, brochures, directories, leaflets and booklets	7,747	8,256	10,490	8,504	10,578	12,927	10,569	9,964	15,2
9021 - orthopaedic and other appliances which are worn or carried or implanted in the body	194	210	197	27	2,158	9,864	14,634	15,582	14,3
8517 - electrical apparatus for telephonic line use (incl. telephones and modems)	10,392	9,258	5,726	3,154	4,641	34,107	37,688	32,159	13,6
8470 - calculators, accounting machines, cash registers and other machines with a calculating device	3,607	4,490	6,432	6,042	7,773	11,023	15,332	16,220	11,6
8506 - primary cells and batteries	120	235	73	133	128	215	138	104	9,72
8414 - air/vacuum pumps, air/gas compressors and fans; ventilating hoods with fans	36,734	30,239	4,470	12,255	15,009	24,209	14,984	9,314	13,4
6204 - womens/girls suits, ensembles, jackets, blazers, dresses, skirts, pants and shorts	2,427	1,288	895	106	1,540	3,080	2,782	2,423	4,57

- woven									
3004 – medicaments – put up in measured doses or packed for retail use	1,852	4,578	5,271	4,858	3,079	2,707	1,348	4,285	2,34
8413 - pumps for liquids; liquid elevators	1,638	503	2,071	1,942	2,976	4,265	7,664	17,472	10,3
9018 - instruments and appliances used in medical, surgical or veterinary sciences	2,440	2,968	2,701	3,075	2,661	3,314	1,925	3,682	6,06
3811 – anti-knock preparations; lubricating oil additives and other prepared additives	--	--	--	--	--	36	126	3,225	2,45
9026 - instruments and apparatus for measuring or checking variables of liquids or gases	16	312	526	1,415	1,320	1,416	2,584	3,757	4,47
1902 - pasta	1,884	2,570	2,959	3,122	3,410	3,220	4,221	5,139	5,86
8803 - parts of helicopters, airplanes, balloons, dirigibles and spacecraft	568	507	1,344	1,576	1,059	1,695	3,348	6,894	6,21
8541 – diodes, transistors and similar semiconductor devices; mounted piezo-electric crystals	2,352	3,972	4,342	6,540	6,937	6,655	13,379	12,088	2,99
3907 – polyethers, poly carbonates, alkyd resins, polyallyl, esters and other polyesters in primary forms	--	--	--	6	4	31	43	15	353
8521 – video recording or reproducing apparatus	23,627	23,590	16,863	9,860	1,349	441	1,930	4,687	6,42

Sub-total	886,564	1,030,647	931,569	974,795	977,083	1,037,036	1,167,473	954,182	841,
Others	265,528	279,992	260,923	199,674	203,572	215,331	232,510	183,262	147,
Total (all products)	1,152,093	1,310,640	1,192,493	1,174,469	1,180,655	1,252,367	1,399,983	1,137,443	988,

Table 3: Canada's Services Transactions with Singapore

Source: Statistics Canada, CANSIM #376-0036

Report Date: October 17, 2003

	1992	1993	1994	1995	1996	1997	1998	1999
	<i>Value in Millions of Canadian Dollars</i>							
Total Exports of Services	163	157	158	207	212	263	208	206
Travel	38	38	33	35	32	35	32	35
Commercial Services	24	25	25	77	76	84	37	34
Transportation and Government Services	101	95	99	95	104	143	139	137
Total Imports of Services	218	365	306	368	377	421	455	522
Travel	22	31	23	24	40	30	33	42
Commercial Services	3	3	6	30	80	99	12	21
Transportation and Government Services	193	331	276	314	257	292	410	459
Services Trade Balance	(55)	(207)	(148)	(161)	(165)	(158)	(247)	(316)

Table 4: Canada's Foreign Direct Investment Relations with Singapore

Source: Statistics Canada, CANSIM #376-0051

Report Date: August 26, 2003

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	<i>Value in Millions of Canadian Dollars</i>									
Canadian Direct Investment in Singapore	2,217	2,369	2,342	2,213	2,765	3,014	2,950	3,174	4,492	5,100
Singapore Investment in Canada	153	201	356	278	273	195	176	146	130	116
Investment Balance	(2064)	(2168)	(1986)	(1935)	(2492)	(2819)	(2774)	(3028)	(4362)	(4984)

1. All dollar figures are Canadian currency unless otherwise stated.

2. World Trade Organization, *International Trade Statistics*, 1998, 1999, 2000, 2001, and 2002 (Geneva: WTO, 1998-2002).

3. Singapore Department of Statistics, *Economic Survey of Singapore*, as posted on February 26, 2004 on the website of *Singapore's Ministry of Trade and Industry*.

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