

TRADE & CUSTOMS

Commencement of China-Singapore FTA Further Upgrade Protocol (w.e.f. 31 Dec 2024) – Enhancing Market Access and Clarifying Rules for Singapore Businesses

Introduction

On 30 December 2024, the Ministry of Trade and Industry Singapore announced¹ that the China-Singapore Free Trade Agreement ("CSFTA")² Further Upgrade Protocol³, signed in December 2023, will enter into force on 31 December 2024. Singapore businesses and investors utilising the CSFTA can benefit from enhancements under the Further Upgrade Protocol, including the following areas:

1. Enhancing market access:

- **Shorter negative list:** Singapore businesses will benefit from greater market access to China through the recently updated and shorter edition of the negative list of Chinese industries in which foreigners are not allowed to invest⁴; and
- **Lifting of foreign equity limits:** Singapore investors will no longer be subject to limits on foreign equity or shareholding in a company across 22 sectors.

2. Clarifying rules:

- **Liberal and transparent rules for investments and services:** Singapore investors and service suppliers will enjoy more liberal and transparent rules that level the playing field for them to invest in and trade with China, including through the updated Investment Chapter and Services Chapter; and
- **New, clearer rules for telecommunications:** Further, the new Telecommunications Services Chapter: (i) provides clearer rules and enhanced transparency for domestic telecommunications regulatory processes; (ii) promotes competition; and (iii) facilitates industry participation in collaborative activities for innovation and development.

This Update provides more information on the CSFTA Further Upgrade Protocol and its implications for Singapore businesses and investors.

¹ [China-Singapore Free Trade Agreement \(CSFTA\) Further Upgrade Protocol enters into force on 31 December 2024 \(Ministry of Trade and Industry Singapore Press Release, 30 December 2024\)](#)

² [China-Singapore \(CSFTA\) Legal Text \(available on the Enterprise Singapore website\)](#)

³ [Protocol to Further Upgrade the Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Singapore \(available on the Enterprise Singapore website\)](#)

⁴ [Upgraded China-S'pore free trade pact takes effect, will enhance market access for businesses | The Straits Times \(31 December 2024\)](#)

Background

China has been Singapore's largest merchandise trading partner since 2013, making up 13.9% of Singapore's total merchandise trade with the world in 2023. In turn, Singapore has been China's largest foreign investor in terms of investment flows since 2013, with China being Singapore's top investment destination since 2007. In 2021, China was Singapore's fourth largest trading partner in services, while Singapore was China's third largest.

The CSFTA is China's first comprehensive bilateral free trade agreement ("**FTA**") with an Asian country and is the cornerstone of bilateral economic relations between Singapore and China. It is also China's first FTA with an Asian country where commitments for services and investment are done through the negative list approach.

The CSFTA first entered into force 15 years ago, on 1 January 2009, and has since been upgraded twice in 2011 and 2019. Negotiations on the Further Upgrade Protocol commenced in 2020 as part of a Work Programme in the 2019 Upgrade Protocol.

Enhancing Market Access

Shorter negative list

For background, under the negative list approach, by default, all sectors are opened to investors, and the commitments apply to all sectors, except for those specifically listed. Following from the Further Upgrade Protocol, Singapore businesses will benefit from greater market access to China, including its services sectors, through the recently updated and shorter edition of the negative list of Chinese industries in which foreigners are not allowed to invest.

Lifting of foreign equity limits across 22 sectors

Singapore investors will no longer be subject to limits on foreign equity or shareholding in a company across 22 sectors, including (among others): (i) construction and related engineering services; (ii) retailing and wholesale; (iii) architectural and urban planning services; (iv) technical testing and analysis services; and (v) renting and leasing.

Clarifying Rules

Liberal and transparent rules for investments and services

Singapore investors and service suppliers will enjoy more liberal and transparent rules that level the playing field for them to invest in and trade with China. For example:

1. **The Investment Chapter:** Includes new rules that prohibit:
 - Nationality-based discrimination when an investor first enters a market;
 - Performance requirements, e.g. requirements to: (i) achieve a given level or percentage of domestic content; or (ii) transfer a particular technology, a production process, or other proprietary knowledge; and
 - Nationality requirements on the appointment of senior management and the board of directors.

2. **The Services Chapter:** Includes new rules, such as prohibiting local presence requirements in committed sectors (i.e. requirements for a service supplier to establish or maintain a representative office or any form of enterprise, or to be resident, in the territory, as a condition for the cross-border supply of a service).

New, clearer rules for telecommunications

The new Telecommunications Services Chapter: (i) provides clearer rules and enhanced transparency for domestic telecommunications regulatory processes; (ii) promotes competition; and (iii) facilitates industry participation in collaborative activities for innovation and development.

Conclusion

The CSFTA Further Upgrade Protocol ensures that both China and Singapore are poised to further strengthen their mutual economic ties and to foster greater collaboration with each other.

We invite you to reach out to us if you have any queries or wish to pursue opportunities in any of the areas highlighted above. With our local teams in both China and Singapore, we are well placed to advise and support your businesses and investments in leveraging on the CSFTA Further Upgrade Protocol.

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