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DURING THE COMMITTEE OF SUPPLY DEBATE UNDER HEAD V  
(MINISTRY OF TRADE AND INDUSTRY)  
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***“Building and deepening linkages to create opportunities”***

**INTRODUCTION**

1. Mr Chairman, I thank members for their comments and suggestions.

**GLOBAL ECONOMIC GROWTH AND SINGAPORE’S ECONOMY**

2. **Mr Yee Chia Hsing** asked about the outlook for the global economy in 2018 and the implications for the Singapore economy.

3. The global economy ended on a firm note in 2017, posting the broadest growth since 2010 according to the International Monetary Fund (IMF).

4. **We expect global economic growth to pick up slightly in 2018, partly on the back of improved growth prospects in the US due to the recently approved tax reforms.**

5. **However, as compared to 2017, growth in most of Singapore’s key final demand markets such as the Eurozone, China, Newly Industrialising Economies and ASEAN-5 is projected to moderate or remain unchanged.**

6. **At the same time, while global macroeconomic risks have receded to some extent since the end of 2017, there remain some downside risks to global growth.**

- a. First, there remain concerns over protectionist actions, which could disrupt global trade and economic growth if they translate into trade barriers.

- b. Second, the US’ economic recovery is in a relatively mature stage of the cycle. An upside surprise in inflation could lead to a faster-than-expected normalisation of the US monetary policy, with consequent impact on the US and the global economy.

7. **Against this backdrop, Singapore’s economic growth is likely to moderate in 2018, but still remain firm. Specifically, MTI expects the Singapore economy to grow by 1.5% to 3.5% in 2018, with growth likely to come in slightly above the middle of the forecast range.**

8. **We expect the performance of our sectors to vary.**

- a. The manufacturing sector, alongside externally-oriented services sectors such as finance and insurance, transportation and storage, and wholesale trade are likely to sustain growth due to firm external demand.
- b. Growth is also expected to broaden to domestically-oriented services sectors like retail and food services as consumer sentiments improve in tandem with the on-going recovery in the labour market.
- c. However, the performance of the construction sector and the marine and offshore engineering industry is likely to remain lacklustre due to weak operating conditions.

9. **We are experiencing three major global shifts.**

- a. First, rapid technological change is continuing apace. Innovation cycles have shortened, and new technologies are disrupting many sectors.
- b. Second, global value chains are changing as major trading partners promote in-sourcing and move up the manufacturing value chain. In the US, the Trump administration has highlighted its plans to boost its manufacturing sector. China has embarked on a “Made in China 2025” initiative, and India has its “Make in India” initiative.
- c. Third, there is a shift in global economic weight towards Asia. We are witnessing the rise of China, India, and Southeast Asia with a growing middle class, increased urbanisation, and infrastructure development efforts such as the Belt and Road Initiative.

10. **To strengthen our competitive edge, we must therefore continue to strengthen our linkages, innovate, and deepen our capabilities to prevent being displaced by the global shifts that I mentioned just now.**

11. Looking ahead, we recognise two major drivers of economic success – **internationalisation and innovation.**

**INTERNATIONALISATION: STRENGTHENING SINGAPORE’S LINKS TO THE WORLD**

12. **Dr Tan Wu Meng** asked about our trade priorities and whether our pursuit of Free Trade Agreements (FTAs) is still relevant in the current global economic climate.

13. **As a small country with an open economy, connectivity is core to Singapore’s survival and prosperity.** Having free and open markets is critical for Singapore’s development.

14. It is by staying open to trade, people, and ideas that we can participate in global growth, and build the deep capabilities needed for our people and companies to access new markets, on-board cutting-edge technologies, and create good jobs.

15. **Singapore therefore remains committed to the multilateral and rules-based trading system.**

16. **Over the years, we have built depth and breadth in our international linkages. We have an extensive network of 22 implemented Free Trade Agreements (FTAs) and Economic Partnership Agreements with 33 trading partners.**

- a. Our FTAs have helped our companies benefit from tariff savings of over S\$1.1 billion in 2016.
- b. To illustrate with an example, plastics product manufacturer Singa Plastics Ltd has taken advantage of several of our FTAs. For example, the ASEAN Trade in Goods Agreement, ASEAN-Korea FTA, as well as the Singapore-Australia FTA, to grow its business and maintain competitive pricing for its exports into these countries. The company's exports have increased by close to 30% since it began using these FTAs. As Singa Plastics also exports to France, Germany and Greece, it is keenly awaiting the ratification of the EU-Singapore FTA (EUSFTA).

17. **We will continue to enhance our connectivity by strengthening connections with existing trading partners as well as forging new connections with emerging markets.**

- a. We will continue to work with the European Commission to expedite the ratification of the EU-Singapore FTA.
- b. We review our FTAs from time to time, and upgrade them to ensure that they remain relevant and useful to our businesses.
  - i. There is for example, the ongoing negotiations with China to review and upgrade the China-Singapore FTA. The upgrade looks to deepen bilateral benefits by enhancing areas such as investment provisions, trade facilitation, rules of origin, and improved market access for Singapore businesses, especially in the services sectors.

18. We are **expanding Singapore's connectivity by joining regional FTAs** such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which will be signed next week, and the ongoing Regional Comprehensive Economic Partnership (RCEP). Singapore is also negotiating FTAs with major regional blocs such as the Eurasian Economic Union and the Pacific Alliance.

19. **Mr Randolph Tan** observed that more should be done to promote the opportunities of the CPTPP to our small and medium-sized enterprises (SMEs).

**Our pursuit of FTAs is for the benefit of our companies and their workers.** We will continue to work with the Singapore Business Federation and the trade associations and chambers (TACs) on outreach efforts to help our companies, in particular our SMEs. These efforts include company outreach sessions, FTA training courses, and even one-on-one sessions to follow up on specific concerns or opportunities which companies are keen on.

*Taking advantage of the opportunities from a Rising Asia*

20. **Mr Henry Kwek and Ms Sun Xueling** asked about the Government's plans to help Singapore companies take advantage of the shift in global economic focus towards Asia.

21. Indeed, **Asia's growth brings about many opportunities with rising consumption and demand for infrastructure in Asia offering significant export and investment opportunities for Singapore-based companies.**

22. **We are working with China on commercially meaningful areas in its Belt and Road Initiative (BRI).** The BRI has the potential to foster regional cooperation, enhance connectivity, and accelerate infrastructure development across Asia. **Singapore companies are well-placed to tap on BRI opportunities.**

- a. For instance, Singapore and China have recognised our strong complementarities and are jointly developing the China-Singapore (Chongqing) Connectivity Initiative Southern Transport Corridor (CCI-STC), which aims to improve connectivity between Western China and Southeast Asia. Three Singapore companies – Pacific International Lines (PIL), PSA International and YCH Group – have entered into two joint ventures with Chongqing companies to steer the development of the CCI-STC.

23. **We are also collaborating with the Government of Andhra Pradesh in India to develop the State's new capital city of Amaravati, as well as promote greater economic collaboration with Andhra Pradesh.**

- a. In 2017, Ascendas-Singbridge and Sembcorp Development formed a Singapore Consortium to master-develop the commercial core of Amaravati together with its Government. Since then, our companies have been actively exploring smart city urban solution opportunities in Amaravati.

24. Closer to home, ASEAN has strong potential as a market. **We are strengthening our engagements with ASEAN through both regional economic integration as well as bilateral initiatives with ASEAN countries.**

25. **Ms Cheryl Chan, Mr Henry Kwek, Mr Low Thia Kiang and Ms Sun Xueling** asked about our plans to work with other ASEAN Member States to unlock ASEAN's potential to benefit Singapore and Singaporeans.

**26. As a region, ASEAN is making good progress in deepening economic integration under the ASEAN Economic Community (AEC). The prospects are good.**

- a. ASEAN is currently the sixth largest economy in the world and enjoyed a steady growth rate of 5% in 2017.
- b. By 2030, ASEAN has the potential to become the fourth largest single market in the world after China, the US and the EU.

**27. Despite the rising nationalistic tendencies and anti-trade sentiments elsewhere in the world, ASEAN has stayed on course in its trajectory of regional economic integration.** ASEAN is also navigating the rapid pace of technological change and digital disruption.

- a. For businesses seeking to enter or expand their presence in ASEAN markets and beyond, the AEC, since its realisation in 2015, has lowered entry barriers, reduced transaction costs, widened choices for consumers and generated job opportunities in the region.
- b. Take for instance, Trends Home Electrical. The company started out as a single home appliance shop in 1998. Today, their products are carried by over 450 retailers in Singapore, Malaysia, Indonesia and Thailand. It has been using the ASEAN Trade in Goods Agreement since 2015 for its products to enjoy tariff savings, and has experienced a close to 15% increase in exports since then. Trends Home Electrical plans to continue innovating, upgrading its capabilities, and further expand into Southeast Asia to capture the growth opportunities there.

28. At this juncture, Mr Chairman, I would like to clarify Mr Low Thia Kiang's comments that while AEC was established by the end of 2015, ASEAN failed to achieve one fifth of the 506 measures and had deferred them for ten years to 2025. It is true that ASEAN did not quite achieve all 506 measures in 2015. We achieved about 80% of them, but we have not neglected the rest. We continue to track, monitor and work on the rest of the measures. I am happy to report that today, 88% of the AEC measures have been implemented. So we are not deferring them to 2025.

**29. This year, as part of Singapore's ASEAN Chairmanship, we are pursuing an ASEAN Agreement on E-Commerce to help businesses expand and leverage the E-Commerce market potential in Southeast Asia.**

- a. The ASEAN E-Commerce scene is still at its infancy with some companies finding it confusing to navigate the varying E-Commerce regulations in various ASEAN countries.
- b. This Agreement that we are aiming to sign this year will streamline some of these regulations, so that aspiring entrepreneurs and SMEs can market their products and services regionally with greater ease, and make it safer to send and receive electronic payments.

- c. With this Agreement, companies like ColdWear, a local winter wear and travel accessories retailer, can expect to use E-Commerce solutions to expand into the ASEAN region more easily. ColdWear has successfully entered the Indonesia market, and plans to venture into the wider ASEAN markets, including the Philippines, Thailand and Viet Nam.

#### *Bilateral initiatives with Key ASEAN partners*

30. Mr Chairman, **our strategy of engaging ASEAN will also take place at the bilateral level. We will press on with our suite of bilateral initiatives to deepen our economic linkages and help our companies take advantage of the opportunities in our neighbouring ASEAN countries.**

31. We will intensify our engagements with our long-time partners, such as Malaysia and Indonesia.

- a. New collaborations such as the High Speed Rail (HSR) and Rapid Transit System (RTS) will enhance bilateral connectivity, business links, and people-to-people exchanges between Singapore and Malaysia.
- b. Enterprise Singapore will continue to explore areas of synergies in Indonesia. The Kendal Industrial Park (KIP) in Central Java, a joint venture between Sembcorp Development and an Indonesian company, is one example. We hope to be able to facilitate more of such partnerships in future.

32. We will also continue to extend our reach to other ASEAN countries such as Myanmar and Viet Nam, where our companies have strong and sustained interest.

### **INNOVATION: A KEY DRIVER FOR OUR ECONOMY**

#### *Stocktake of our efforts to drive innovation*

33. Mr Chairman, the second major driver of our economic success is Innovation. With shifting factors of production now favouring technology-intensive economies, Singapore's focus on innovation and technology puts us in a position of strength to transform our installed base, capture new investments and create new solutions for the market.

34. **Our strengths in innovation and technology have been developed through consistent Research & Development (R&D) efforts over the years, which have raised Singapore's global competitiveness and enabled many of our sectors to move up the value chain.**

#### *Innovation Networks*

35. Beyond R&D, **we are also making a strong, committed push towards building innovation networks and partnerships to link up companies across major innovation hubs.** This is a reflection of the nature of innovation in the digital age, and the importance of cross-market perspectives for businesses to reap new opportunities.

36. The Global Innovation Alliance (GIA) was launched last year and seeks to strengthen Singapore's connections to major innovation hubs around the world. It creates more opportunities for our students, entrepreneurs and businesses to gain overseas experience, connect, and collaborate with their overseas counterparts.

- a. The connections facilitated under the GIA allow ideas and talents to cross-fertilise across different innovation hubs, and provide access to interact with and identify local partners for collaboration. This injects vibrancy into our local innovation ecosystem, and bolsters our value proposition as a springboard for foreign companies to come and test-bed new ideas here, before expanding into the region.

37. **A key component of the GIA is to create a network of Innovation Launchpads around the world.** We recognise that our Institutes of Higher Learning, companies and agencies have already established their own networks abroad. **The GIA seeks to integrate them into a single network that companies can readily tap on to launch their innovations into the relevant markets.**

38. My colleagues will share further on the progress of our R&D efforts and GIA initiative later on.

39. **We will also take advantage of our ASEAN Chairmanship to work on an ASEAN Innovation Network (AIN).** The intent is to strengthen the networks between the innovation ecosystems in ASEAN. This will further enable our companies to expand abroad, and help them to better respond to demands from the increasingly sophisticated and growing consumer base in our region.

## **INDUSTRY TRANSFORMATION**

40. Mr Chairman, this focus on internationalisation and innovation is part of our larger industry transformation efforts. We announced the S\$4.5 billion Industry Transformation Programme in Budget 2016, recognising that each sector is different, and that transformation coordinated at the sector level can deliver more targeted results. In this vein, we introduced the Industry Transformation Maps (ITMs).

41. **The ITMs are designed to keep our industries competitive and generate growth for Singapore. Each ITM takes into account the unique circumstances of the sector, and customises efforts through the four key pillars of innovation, productivity, jobs and skills, and internationalisation.**

42. **We have launched 22 ITMs to date and I am happy to answer Mr Liang Eng Hwa that we would have rolled out all 23 ITMs by the end of this month.**

43. **Moving forward, we will continue to refine the ITMs together with our partners. We will work closely with all stakeholders, including companies, trade associations and chambers, unions and workers.**

44. My colleagues will be elaborating further on the progress of our ITMs and our restructuring efforts.

45. **Dr Tan Wu Meng** asked about our strategy to help our companies remain competitive and support sustained growth especially given our overheads and cost structure. Along the same vein, **Mr Leon Perera** asked about the Government's approach to keep industrial land costs competitive. **The Government monitors business costs closely to ensure that we remain competitive.**

- a. In 2017, the overall Unit Labour Cost (ULC) for the economy fell by 0.3%, moderating from the 2.0% increase in 2016. However, there were differences across sectors. While manufacturing ULC declined by 8.0% on the back of strong productivity gains, ULC for some services sectors such as accommodation and food services rose by 2.0% as wage growth outpaced productivity growth.
- b. The overall ULC is likely to see a modest increase this year. Wages are expected to rise amid a gradual recovery in the labour market. The key therefore, for companies to manage their labour costs and have sustainable wage growth for Singaporeans, is to have continued productivity growth.

46. **For companies in the manufacturing sector, rental costs constitute a relatively small proportion of business costs, and is usually less than 2.0% on average. We have nonetheless taken measures to ensure that industrial land costs remain competitive.**

- a. First of all, JTC Corporation benchmarks its land prices internationally to ensure that they are competitive.
- b. Second, the Government releases land for private-sector industrial developments through our half-yearly Industrial Government Land Sales Programme to ensure that there is sufficient land and industrial space to meet demand, support economic growth, and maintain the stability of the industrial property market. With an increase in the supply of land and industrial space, the industrial price index has decreased by 16.6% from its peak in 2014, while the industrial rental index has declined by 13.4% from its peak in 2014.
- c. Third, we have also made public the statistics on industrial space prices, rents, as well as occupancy rates to improve transparency and help companies make informed decisions.

47. **We must continue to take bold strides to seize opportunities to innovate, and not let our domestic constraints of a tightening labour market and scarcity of land hold us back.**



## **CONCLUSION**

48. Mr Chairman, we have put in place initiatives to ensure that our companies remain competitive and are well-poised to tap into growth areas and take up future challenges posed by the global economy. Coupled with the positive growth forecast in the year ahead, I would like to encourage our companies to take advantage of the firm global economic prospects to persevere on their transformation and growth journey.

49. We welcome companies to be actively engaged in our efforts as we work to expand Singapore's economic space through building and deepening linkages, and establishing innovation networks to foster relationships and to create opportunities. Over the next decade, our collective efforts should enable us to grow by 2 to 3% per year on average. This is how we can work together to create an economy that can offer sustainable wage growth and good jobs for all Singaporeans.

50. Thank you.