

**MINISTER FOR TRADE AND INDUSTRY,  
DURING THE COMMITTEE OF SUPPLY DEBATE UNDER HEAD V  
(MINISTRY OF TRADE AND INDUSTRY)  
ON MONDAY, 4 MARCH 2019**

**“A Stronger Economy for All Singaporeans”**

**Introduction**

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

**Overview of Singapore's external and internal environment**

2. Mr Chairman, as we manage our near-term challenges, we must also keep a close watch on the longer-term trends that will impact our economic competitiveness and continued success.
- a. Our near-term challenges include the uncertainties of US-China trade relations, the slowing Chinese economy, Brexit and various regional elections.
  - b. Our medium-term and more significant challenges include shifts in global trade patterns, production chains and value chains brought about by technological shifts and geopolitics.
  - c. Finally, we should carefully watch the developments in international taxation. Our future attractiveness as a choice business location will be shaped by the outcomes from ongoing discussions at international fora on Base Erosion and Profit Shifting (BEPS) and taxation principles for the new digital economy.
3. **Despite the uncertain global context, there are reasons for us to be optimistic.**

4. If we get our fundamentals right, we can further distinguish ourselves and attract global investors to come here and create better jobs for fellow Singaporeans. Our fundamentals must include:

- a. First, effective governance founded upon long-term political stability, long-term planning, and a strong tripartite relationship that enable us to overcome our challenges together.
- b. Second, a global mindset. We must overcome the constraints of our geographical size by leveraging the digital economy and our connectivity, and embrace talent, technology and ideas from the world.
- c. Third, a competitive advantage in innovation, creativity, and standards, not price. We must create a virtuous cycle where research and innovation translates into commercial opportunities and gain, which then enables further innovation. This must be supported by a progressive business environment with agile regulations and a strong Intellectual Property (IP) protection regime.
- d. Finally, a skilled workforce with sustained emphasis on continuous training and lifelong learning. Our workforce must have knowledge of the region to value-add when others use Singapore as a platform.

5. As **Mr Teo Ser Luck** observed, our overall pace of growth is expected to moderate in 2019, and this will be uneven across sectors.

- a. While outward-oriented sectors are generally expected to see a moderation in growth this year due to the weaker external outlook, there remain some bright spots. These include the information & communications sector, and the medical technology and aerospace segments within the manufacturing sector. Such sectors are expected to do well, in part because they can leverage our extensive connectivity, and are also knowledge-intensive sectors that capitalise on our strengths in areas like high-quality standards and a robust IP regime.
- b. In general, domestically-oriented sectors will need to push ahead with transformation efforts to improve their value-add and raise productivity. Performance varies across firms within each of these sectors. We have seen good efforts by some firms, and we will need to sustain the momentum and impetus for restructuring to uplift more firms within these sectors.

6. **Mr Liang Eng Hwa** asked how we can prepare Singapore for the next stage of growth. To this end, we have a four-pronged strategy:

- a. First, to deepen and diversify linkages to markets;
- b. Second, to transform industries to seize new opportunities;
- c. Third, to strengthen capabilities of enterprises and workers; and
- d. Fourth, to empower businesses and consumers through more agile regulations and a more pro-business environment.

**Market development: deepening and diversifying linkages to create opportunities overseas**

*Enhancing network of trade agreements*

7. Let me first touch on market development, on how we plan to deepen and diversify our linkages to create more opportunities overseas for our companies.

8. As a small economy, the world must be our hinterland. We must ensure global opportunities remain open to our businesses and people. This means deepening and diversifying our linkages to overseas markets.

9. **We will upgrade our trade agreements to secure deeper market access and updated rules that cater to new business models and regulations.**

- a. During our ASEAN Chairmanship in 2018, we completed several initiatives to boost ASEAN's attractiveness as a business and investment destination.
  - i. The **ASEAN Single Window** is now in place. Five ASEAN countries are exchanging trade documents electronically, with the remaining countries coming on board this year.
  - ii. The **ASEAN-wide Self Certification Scheme** will save time and costs for our businesses.
  - iii. The **ASEAN Agreement on E-commerce**, **ASEAN Trade in Services Agreement** and enhancements to the **ASEAN Comprehensive Investment Agreement** will boost digital connectivity, improve market access in ASEAN's growing services sector and reduce investment impediments.
- b. With China, the upgraded **China-Singapore FTA** (CSFTA) will provide businesses with enhanced investment protection, greater access to China's legal, maritime and construction services sectors, and improved Rules of Origin for petrochemical and plastics exports.

10. **Next, we must expand our network of free trade agreements (FTAs) to give our companies privileged access to more markets vis-à-vis our competitors. This ensures the diversification of our markets and supply chains, to not overly rely on any one particular market.**

- a. Last year, we saw the entry into force of the historic **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**. This establishes our first FTA with Canada and Mexico.
- b. A few weeks ago, the **EU-Singapore Free Trade Agreement (EUSFTA)** and **Investment Protection Agreement (EUSIPA)** received the European Parliament's consent with a clear majority. This brings us one step closer to an FTA with our third largest goods trading partner and largest services trading partner.
- c. We continue to make progress on the **Regional Comprehensive Economic Partnership (RCEP)** under Thailand's chairmanship in 2019.
- d. We are also broadening our reach by looking into FTAs with the Eurasian Economic Union, the Pacific Alliance, and the Southern Common Market in South America (MERCOSUR).
- e. For the longer term, **we must increasingly take up opportunities in emerging markets by familiarising ourselves with the culture, regulations and business networks in regions that are newer to us.**

11. **Mr Teo Ser Luck** asked about quantifiable indicators of how our companies have benefited from FTAs, and what can be done to increase their utilisation of the FTAs.

- a. Singapore's trade with our FTA partners accounts for 92% of our total trade in goods and services. One of the key benefits for our companies from FTAs is tariff savings, which measure the dollar savings from our FTAs' lower tariffs for Singapore-originating goods. Our companies enjoyed tariff savings of about \$730 million in 2016, a substantial increase from the \$450 million enjoyed a decade prior.
- b. Since 2016, about 1,800 companies have benefitted each year from Enterprise Singapore's efforts to build awareness of our network of trade agreements and its benefits. These include broad-based FTA outreach sessions, assistance requested via the Enterprise Infoline and our SME centres, and customised one-to-one advisories for companies. We will continue to work with the Singapore Business Federation and the Trade Associations and Chambers (TACs) to help our companies utilise our wide network of FTAs.

12. Our trade agreements complement efforts by Singapore and like-minded countries to **evolve international rules and uphold the rules-based multilateral trading system embodied in the WTO.**

- a. A major international effort is now underway to ensure the WTO remains relevant to the modern economy.

- b. **Singapore is actively contributing as a co-convenor of the e-commerce Joint Statement Initiative.** The Initiative comprises 76 WTO Members that have committed to negotiations to develop multilateral rules aimed at helping companies navigate the complex e-commerce landscape, by reducing cross-border hurdles and giving greater certainty on regulatory rules.
- c. We welcome further collaboration with like-minded countries to push the envelope on digital trade issues to build an open, inclusive, connected and predictable regulatory environment for businesses.

*Enhancing Connectivity – “A key node in global flows”*

13. **Mr Liang Eng Hwa, Ms Foo Mee Har, Mr Henry Kwek and Mr Saktiandi Supaat** asked how we can build our global air and sea hub status to create a unique value proposition that distinguishes us from others. I agree with the comments that we need to go beyond hardware to include the wraparound software to distinguish ourselves.

14. To bolster our hub status, we need to continue to deepen our physical connectivity while building “modern”, non-physical modes of connectivity to be a key node in global flows. MOT will share more on our efforts to strengthen our physical connectivity while MCI will share more on our efforts to bolster our digital connectivity.

15. **Mr Douglas Foo** also asked how the Government is helping our companies seize opportunities in ASEAN, as the Belt and Road Initiative (BRI) enhances integration and infrastructural links in the region.

16. The **China-Singapore Connectivity Initiative – New International Land-Sea Trade Corridor (CCI-ILSTC)** will facilitate trade flows between Southeast Asia and Western China through Singapore. Besides reducing the time needed to transport goods between the two regions from three weeks to one, this multimodal and multifaceted economic link will improve modern dimensions of connectivity and lower costs for businesses. This includes our connectivity in terms of data exchange and Customs facilitation.

17. ASEAN, with its rising middle class and rapid urbanisation, presents huge opportunities for Singapore companies. We have supported our companies to capture these opportunities by catalysing capability development, market access, and access to manpower and financing.

- a. We will continue to facilitate our companies’ foray overseas through our network of overseas centres, which supported over 100 projects in ASEAN last year.
- b. To assist Singapore companies in their initial entry into overseas markets, we have also set up a **Plug and Play Network** which comprises 16 partners across nine markets globally. This includes six ASEAN markets, and we will be expanding to Yangon this year.

- c. In 2018, we launched **Infrastructure Asia** to facilitate investments and financing to support the infrastructure needs of the region. Bringing together local and international firms across the value chain to develop, finance and execute projects enables infrastructure players to tap on opportunities in the region. We are able to do all this because of our superior brand in terms of trust, the rule of law, and our financial system.

18. As the economic landscape transforms, **non-physical modes of connectivity will play an increasingly important role.**

19. First, data connectivity through the exchange of digitalised trade documents. The **Networked Trade Platform (NTP)** can help businesses save time and cost by decreasing the need for paper exchanges.

20. Second, we need to promote the flow of ideas and talent. Companies invest in Singapore because we have access to talent, both local and global. For Singapore to thrive, we will continue to develop our local talent, and welcome global talent, especially those with high-end digital and engineering skills, to complement our local workforce.

a. **Mr Henry Kwek** asked MTI to share more about the **Global Ready Talent Programme (GRTP)** and the **Global Innovation Alliance (GIA)**.

- i. Today, more than 50% of Singapore enterprises find it difficult to internationalise because they lack the right talent for their overseas operations. To address this, we need to build a pipeline of local talent with the requisite in-market knowledge to identify growth opportunities, and navigate challenges in overseas markets.
- ii. **The GRTP comprises two components – overseas internships for Singapore students, and a management associate programme for young professionals.** We will focus on markets in Southeast Asia, China and India. Singapore enterprises can receive up to 70% funding support for the allowance or salary of participants. Enterprise Singapore will work with TACs and Institutes of Higher Learning (IHLs) to facilitate internship placements between companies and students.
- iii. We will also continue to promote the exchange of ideas and talent with innovation hubs around the world. Last year, on top of launching GIA in Bangkok, we also accelerated expansion plans, establishing GIA activities in France, Japan, and Germany. We will continue to expand the GIA network in 2019.

### **Overview of other strategies: Developing Industries, Enterprises, Enablers**

21. Sir, our next three strategies aim to enable our companies and people to capture the opportunities from our linkages to markets.

### Industry Development

22. Our industry transformation efforts are off to a good start, with productivity growing faster in the last three years as compared to the first half of the decade. SMS Koh Poh Koon will elaborate on how we will continue to transform our industries of today, while investing in new growth areas for tomorrow in order to benefit Singaporeans.

23. Over the next three years, as the overall Services Dependency Ratio Ceiling (DRC) and its S Pass Sub-DRC are progressively lowered, we will walk alongside and support our businesses for the transformation journey ahead, through the following enhancements:

- a. **First, we will extend the enhanced 70% support under the Enterprise Development Grant (EDG) for another three years, till end-FY2022.** This will help more SMEs undertake deeper and more ambitious transformation as part of our economic restructuring.
- b. **Second, we will extend the enhanced support of up to 70% under the Productivity Solutions Grant (PSG) for another three years, till end-FY2022.** This will help the smaller companies adopt pre-scoped equipment and solutions to achieve that initial productivity boost.

24. **Mr Liang Eng Hwa** will be pleased to note that the enhancements will benefit our workers too.

- a. **We will streamline our efforts and resources with the Labour Movement so that we can collectively reach more businesses – and their workers.** We will do this by merging NTUC's Inclusive Growth Programme (IGP) into the EDG from FY2020, and stipulating local employment outcomes that we expect grant recipients to fulfil as part of such support, so every project can expect to have local employment outcomes as part of their KPI.
- b. **On top of this, we will work with SkillsFuture Singapore (SSG) to support successful PSG applicants in their efforts to train their workers. For us, business transformation must come together with skills uplifting for our workers. The two are mutually related and cannot, and should not, be separate.**

25. My colleagues SMS Koh Poh Koon and SMS Chee Hong Tat will elaborate on these measures. Minister Josephine Teo will also share at MOM's COS Debate about how enterprises across all sectors can continue to tap on the Lean Enterprise Development (LED) Scheme for transitional manpower support, where needed.

### Enterprise Development

26. Beyond industry-wide efforts, transformation begins with each and every enterprise. To tackle the challenges ahead and turn them into opportunities, we will need to level up, scale up and team up for our enterprises.

- a. **For enterprises that have proven track record of growth, strong leadership and growth ambition, the new Scale-up SG programme can support them in the next leap of growth to become our future industry leaders.** Enterprise Singapore will work closely with these enterprises and expert partners to identify priority growth themes; provide customised guidance on the execution of their business plans; and provide access to valuable networks and connections. SMS Chee Hong Tat will elaborate on Scale-up SG and our enterprise-centric approach to move away from grants to support enterprises in levelling up and teaming up to build real capabilities. We agree fully with the comment that we will need a customised approach and it will not be a one-size-fits-all approach for all our 200,000 enterprises that are of varying sizes with differing needs.

### Enablers

27. Our final strategy is to ensure that we have an ecosystem that empowers businesses and consumers. SPS Tan Wu Meng will speak about the enablers we are developing to support a well-functioning market. This includes creating a pro-enterprise regulatory environment, promoting competition, and protecting consumers.

### **Conclusion**

28. Mr Chairman, I have outlined the measures in place to ensure that the Singapore economy is prepared for its next phase of growth.

29. By developing markets, industries, enterprises and enablers, we can be confident of overcoming our limitations of size and punching above our weight. This will include making sure that our workers keep pace with the skills upgrading necessary for them to get better jobs with a better pay.

30. Economic growth cannot be an end in itself. It is the means by which we generate good jobs and better wages for all Singaporeans. It is the strong foundation upon which we build our social progress and mobility. This is our social compact. Amidst global uncertainty, Singapore can once again distinguish ourselves by transforming ourselves to take advantage of new technologies and new markets. Together, we can create a better future for all Singaporeans.