

**OPENING ADDRESS BY MR LIM HNG KIANG, MINISTER FOR TRADE & INDUSTRY AT THE LATIN ASIA BUSINESS FORUM 2007, 2 OCT 2007, AT 9.00 AM, THE FULLERTON HOTEL**

Your Excellencies

Distinguished speakers and guests

Ladies and Gentlemen

Good Morning.

It gives me great pleasure to join all of you this morning at the opening of the Latin Asia Business Forum 2007. I would like to extend a warm welcome to our speakers and delegates, as well as our overseas guests and friends.

**Two Dynamic Regions: Latin America and Asia**

These are exciting times for both Latin America and Asia. Both regions are experiencing healthy economic growth. Trade and investment flows between both regions are robust. Latin America's steady economic growth in recent years has given rise to an expanding middle class and a consumer base keen on goods and services which Asia can provide. Similarly, fuelled by China and India, Asia's demand for energy and resources continues to grow. Resource-rich Latin American countries are well-placed to fulfil this. Increasingly, both regions are looking beyond traditional markets such as the US and Europe in search of new frontiers for their products and services.

It is only fitting that the theme for this year's Forum – "Fostering Trade and Investment between Asia and Latin America" – recognises this positive trend. It reflects the desire on both sides to seek a deeper and more enduring partnership with each other.

**Latin America: Steady Growth Prospects**

The United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) is forecasting 5% growth for Latin America this year, up from 4.6% in 2006. Latin America's economic fundamentals are healthy - increasing economic stability, improved macroeconomic performance and continued buoyancy of its commodity prices<sup>1</sup>. It is not surprising that Foreign Direct Investment (FDI) into Latin America increased for the third consecutive year to US\$72.44 billion<sup>2</sup> in 2006.

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<sup>1</sup> United Nations Economic Commission on Latin America and the Caribbean (UNECLAC)

<sup>2</sup> UNECLAC

Latin American firms are also investing more aggressively abroad, with total overseas FDI exceeding US\$40 billion in 2006.<sup>3</sup> This is a clear indication of the growing investment appetite of Latin American companies – particularly those in Brazil, Mexico and Argentina. These companies have expanded internationally at a faster rate than in previous years. They are keen to seize opportunities in non-traditional markets such as those in Asia.

### **Asia: Getting Stronger Every Day**

With a GDP growth rate of 7.9%<sup>4</sup>, Asia was the fastest-growing region globally last year. China and India led this, posting growth rates of 10.7% and 9.1% respectively<sup>5</sup>. Inflation in Asia has remained constant at 4.3% for the last two years and is projected to fall to 3.8% in 2007.<sup>6</sup> These indicators point to Asia's increasing affluence and consumption power. China and India's rapid economic growth has natural synergies with Latin America's energy and commodity producers. These trends bode well for greater trade and investment flows between both regions.

### **Bilateral Trade between Latin America and Asia**

Physical distance, language and cultural differences have not deterred the pursuit of greater economic engagement between Asia and Latin America. The steady increases in trade flows between the two regions year after year attest to this. In 2006, Latin America's total trade with Asia stood at US\$226 billion<sup>7</sup>, a 25% increase over 2005. We should not miss the opportunity to tap into the cross-flows of goods and services between both regions.

### **Singapore's growing trade & investment links with Latin America**

Singapore stands to benefit from this growing engagement between Asia and Latin America. Between 2004 and 2006, total trade between Singapore and Latin America grew at an average of 30% per annum, exceeding Singapore's average growth rate of 16.3% for total trade with the world over the same period. Total trade with Latin America reached US\$7.8 billion in 2006 constituting only 1.46% of Singapore's total trade. There is still much room for growth.

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<sup>3</sup> UNECLAC

<sup>4</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

<sup>5</sup> IMF

<sup>6</sup> UNESCAP

<sup>7</sup> IMF, Direction of Trade Statistics, and Euromonitor

Latin America presents a wealth of opportunities to the international business community. Singapore recognises this. We have been proactive in enhancing our ties with Latin America, building on our network of Free Trade Agreements (FTAs) in the region. In addition to the Panama-Singapore FTA and the Trans-Pacific Strategic Economic Partnership – a plurilateral agreement with Chile, Brunei and New Zealand – Singapore also concluded negotiations for an FTA with Peru last month. We are regular participants in the Forum for East Asia and Latin America Cooperation (FEALAC). In fact, the FEALAC Foreign Ministers recently met in Brazil in August.

More recently, Singapore concluded a Memorandum of Understanding with Mercosur, a customs union comprising Brazil, Argentina, Paraguay and Uruguay<sup>8</sup>. Later this evening, the Singapore International Chamber of Commerce will be signing a Memorandum of Understanding with Chile's Santiago Chamber of Commerce. This will further boost exchanges between the respective business communities of both countries. Our expanding network of agreements, linkages and MOUs afford our companies greater access to Latin America markets. It also acts as a focal point for Latin American companies keen on exploring opportunities in Asia.

### **Deepening our Engagement**

Latin America is now appearing on the radar screens of a growing number of Singapore companies. With Singapore companies having invested in a diverse range of sectors and markets in Latin America, Singapore's footprint in the region looks set to grow.

Some companies have been in Latin America for some time now. They have chosen to deepen their commitment and investment in the region. SembCorp Marine through its subsidiary, Jurong Shipyard is one such company that is doing so. A key player in Brazil's oil and gas construction industry since 1997, I am pleased to note that Jurong Shipyard has signed an MOU to enter into a joint venture with W Torre Eugenharia a Brazilian company, to own and operate the largest shipyard in the Southern Hemisphere in Rio Grande, Brazil. When completed, the project will boast one of the largest purpose-built drydocks in the Brazil in three decades, capable of handling semi-submersible rigs, marine conversions and full-scale topside fabrication capacity. Jurong Shipyard's expertise in ship repair, shipbuilding, ship conversion and offshore platform construction presents compelling synergies with Brazil's resurgent shipbuilding and offshore industry.

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<sup>8</sup> Venezuela's full Mercosur membership has yet to be ratified by the Paraguayan and Brazilian parliaments.

In Mexico, Banyan Tree Holdings has launched five resort projects across Mexico's coastal regions. It is currently developing its resorts in Punta Diamante in Acapulco, Mayakoba in Riviera Maya, Chamela in Jalisco and Los Cabos in Baja California. In July this year, it signed an agreement to develop another resort in Tijuana, Baja California. I am confident that once their resort operations commence, this will help further raise the profile and awareness of Singapore in Mexico.

### **Niches for Singapore companies**

Latin America does not present opportunities for only large companies. Smaller companies have also done well, making inroads through offering niche products and services. I am pleased to hear that CrimsonLogic, a leading IT solutions provider, was recently awarded a US\$3 million contract to develop an electronic documentation system for Panama's Colon Free Zone Authority. The Colon Free Zone is the largest free zone outside Asia covering more than 400 hectares, 1,800 physically established companies and receiving more than 250,000 visitors annually. CrimsonLogic's success follows from its earlier contract to build an Advanced Data Collection System for the Panama Canal Authority.

Asia BioBusiness, a Singapore-based bio-business consulting company, has secured a second contract from the Inter-American Development Bank (IADB) to work with the Government of Panama to create a national strategy for Panama's bioscience development.. The programme aims to learn from Singapore's efforts in this area. It also extends to building connections between the research communities in Singapore and Panama in tropical diseases such as dengue and malaria. To this end, Asia BioBusiness organised a Research Forum on Tropical Diseases and an inward investment forum for Bioscience in Panama just last week in Singapore.

### **Growing Latin American presence and investments in Singapore**

As Singapore companies expand their presence in Latin America, similarly, we hope that Latin American companies will also leverage on Singapore as a springboard into Asia. We have had some encouraging results this year.

Leading Brazilian jet manufacturer Embraer, for example, has chosen Singapore as its hub for customer support, simulator training and distribution activities for the Asia-Pacific. Starting as a representative office in 2000, Embraer has since incorporated a fully-owned subsidiary now responsible for serving the Asia-Pacific region in terms of spare parts distribution, logistics and full training of pilots and crew. It will also invest up to US\$40 million in Singapore this year to meet

the growing needs of its clients. This will certainly add diversity and depth to the aerospace industry here.

Also appreciating Singapore's advantages as a regional hub is mining giant CVRD<sup>9</sup>. The company, which already has operations in Australia, China, Japan, South Korea and Indonesia, has just established a representative office in Singapore to coordinate marketing activities in the region and develop strategies for its business in the Asia-Pacific region.

Singapore and other high-growth Asian economies are also attracting the interest of financial institutions and investors from Latin America keen on participating in the region's growth. I understand that a mutual fund launched in Chile this year by Banco de Chile and focusing on long-term investments in Malaysia, Singapore, South Korea and Taiwan, raised about US\$98 million of which approximately US\$20 million was directed into Singapore.

These are positive developments. I am confident that we will see even more of such ventures in time to come. Our network of FTAs, connectivity and knowledge of regional markets reflect Singapore's value proposition as a regional hub in fostering investments between Latin America and Asia.

### **What's Next?**

Governments in both Latin America and Asia will continue to do their best to facilitate this trend of growing engagement and partnerships. International Enterprise Singapore (IE Singapore for short), the government agency under the Ministry of Trade and Industry spearheading the development of Singapore's external economic wing, has also stepped up efforts to identify priority sectors such as oil and gas, ports and logistics for Singapore companies in Latin America.

Understanding an overseas market and building a strong foundation require Singapore-based companies to learn and better understand their Latin American counterparts. In order to help companies do so, IE Singapore will be extending the International Business Fellowship (IBF) Programme – which is already in place for other emerging markets such as Central Asia, China, India, Russia, the Middle East and Vietnam - to cover Latin America. The IBF – which will have access to S\$10 million over the next four years – will enable Singapore-based companies to send their employees to Latin America to undergo executive management training and market immersion programmes. In addition, IE Singapore will work with the three local universities (NUS, NTU and SMU) to jointly fund student attachment programmes with institutions of higher learning

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<sup>9</sup> CVRD stands for Companhia Vale do Rio Doce. It is better known by its acronym.

in Latin America. Such a programme is timely given the critical mass of interest from both sides. It also aims to nurture and build a pool of Singapore-based executives with a rich and personal understanding of Latin America.

## **Conclusion**

The outlook for Asia and Latin America is upbeat. Governments, business leaders and companies from both regions should seize this opportunity and catch the wave of buoyant economic growth to explore new markets, build trade links and invest strategically by being proactive and open to opportunities. I urge all of you present at the Latin Asia Business Forum today to leverage on this platform to identify avenues for working together and forging strategic and rewarding partnerships. I am certain that the Latin Asia Business Forum will continue to grow and I wish all of you every success at this year's Forum.

Thank you.