

For Immediate Release

SINGAPORE RECEIVES HIGH PRAISE IN ITS TRADE POLICY REVIEW AT THE WORLD TRADE ORGANIZATION

Singapore received good reviews from both the WTO Secretariat and WTO Members in its 6th WTO Trade Policy Review (TPR) in Geneva, Switzerland, today.

The report prepared by the WTO Secretariat said that Singapore was hit hard by the global financial crisis. However, a counter-cyclical fiscal stimulus (S\$20.5 billion in 2009), monetary easing, strong economic fundamentals, and labour market flexibility resulted in a swift recovery.

Singapore has responded to new challenges by launching a productivity drive to boost GDP growth and facilitate its transformation into a high-tech economy, the WTO report added.

At the TPR on 24 and 26 July 2012, a total of 32 WTO Members spoke. They commended Singapore's trade and economic policies, and made suggestions where our policies could be improved upon.

In particular, Members noted that Singapore did not resort to protectionist measures during the global economic crisis. Singapore's open and competitive economy contributed to a swift recovery. Members also appreciated Singapore's strong commitment to the multilateral trading system, and its active participation in the regular work of the WTO.

Responding to Members, Mrs Ow Foong Pheng, Permanent Secretary for Trade and Industry and leader of the Singapore TPR delegation, highlighted that as a small city-state Singapore faces unique challenges. These include limited land and labour resources. Singapore will have to continue to restructure the economy towards higher value-added, knowledge- and technology-intensive activities, she said.

"Economic restructuring is not new to us. We have made the transition from low-cost manufacturing in the past to higher value-added, knowledge and technology intensive activities in many of our key sectors," Mrs Ow said. "We believe that innovation, productivity and skills upgrading are the means by which we can ensure sustainable and inclusive economic growth for Singapore."

New Zealand Ambassador John Adank, who led the discussion on Singapore's trade and economic policies, said in his closing statement that Members' questions showed their interest to learn from Singapore's

experience in managing trade and economic issues, particularly with respect to how Singapore dealt with the global financial crisis.

He noted the challenges that Singapore faces as a small city state.

“City states are undeniably quite different in their characteristics from larger metropolitan states,” Mr Adank said. “Singapore needs to draw talent from the wider world, and is therefore compelled to globalise and open up in a way that others are not.”

In his closing statement, Colombia Ambassador Eduardo Munoz, who chaired the TPR session, summed up by saying that “Members praised Singapore for remaining one of the most open and liberal economies in the world, and the easiest country in which to do business.”

Please refer to Annex A for the captioned photo of Mrs Ow at the TPR and Annex B for Mrs Ow’s Closing Statement at the TPR.

MINISTRY OF TRADE AND INDUSTRY, SINGAPORE
26 JULY 2012



Permanent Secretary for Trade and Industry Ow Foong Pheng delivers Singapore's closing statement at Singapore's 6th Trade Policy Review at the World Trade Organization in Geneva, Switzerland on 26 July 2012.

From left to right: Discussant for Singapore's TPR, New Zealand Ambassador John Adank; Head of the Singapore Delegation, Permanent Secretary for Trade and Industry Ow Foong Pheng; Chairperson of the Trade Policy Review Body, Colombia Ambassador Eduardo Munoz; WTO Secretariat, Ricardo Barba.

ANNEX B

DELIVERED
SINGAPORE TRADE POLICY REVIEW
24 & 26 JULY 2012, GENEVA
CLOSING STATEMENT BY HEAD OF DELEGATION,
MRS OW FOONG PHENG, PERMANENT SECRETARY,
MINISTRY OF TRADE AND INDUSTRY, SINGAPORE

1. Mr Chairman, let me first thank you, and our discussant, Ambassador John Adank, for both of your insightful comments and questions on Tuesday. Your insights helped to prompt a productive discussion.

2. I would also like to thank the 32 Members who spoke on Tuesday. We are gratified by your interest in Singapore's trade policy review. We appreciate your positive comments and constructive suggestions. Singapore will provide responses to the additional written questions that were submitted to us this week by August 26th.

3. Let me now address a few of the strategic and policy issues raised on Tuesday. These are our development status, productivity drive, competition and liberalisation regimes, and the role that government-linked companies play in our economy.

SINGAPORE'S GENERAL POLICY APPROACH

4. Let me begin by addressing the question on Singapore's development status, given our per capita GDP of US\$50,000. Singapore is a small city state, of about 700 square kilometres – just slightly larger than the size of Lake Geneva. It is misleading to compare the per capita GDP of Singapore – a city state – with that of other countries. Our per capita GDP of \$50,000 falls short of major cities in OECD countries, such as Zurich, New York and Paris¹.

5. More importantly, per capita GDP or GNP is a very narrow measure of economic development. Other indicators are equally, if not more important – namely, level of productivity, R&D, and the extent of entrepreneurship. Sadly, Singapore still lags behind many OECD countries on all these dimensions. Singapore's productivity in manufacturing and services is only 55-65% of that in the US and Japan. Our R&D spending, as a percentage of GDP, stands at just over 2%. Again, this lags behind more research-intensive developed economies, whose R&D spending averages 3.5% of GDP.

¹ Global Metro Monitor 2011, Brookings Institute

6. Singapore has a limited indigenous industrial base. Our economy is dominated by foreign multinationals, with close to half of our GDP coming from foreign companies. Singapore has little, or no, natural resources. We are therefore highly exposed to external developments and external factors.

7. Nonetheless, Singapore has, and will, continue to contribute actively to the WTO. We regard helping other developing countries participate in the global trading system as an important objective at the WTO. We do this through our trade-related technical assistance programmes. I would like to thank Barbados and Nigeria for their kind comments about the technical assistance provided by Singapore.

8. We established the Singapore Cooperation Programme in 1992 to share our developmental experience and knowledge with other Members, to help them in achieving their developmental goals. Each year, we conduct some 300 courses and train about 7,000 government officials. Singapore also collaborates with the WTO and more than 40 other key countries and international organisations, to provide technical assistance to other countries under the Third Country Training Programme (TCTP) framework. We will continue to build on this.

RESTRUCTURING SINGAPORE'S ECONOMY

9. Members have also asked us to share more about our plans to achieve productivity growth of 2 to 3% per year, over the next 10 years. The drive to raise productivity is a drive to restructure our economy. We believe that innovation, productivity and skills upgrading are the means by which we can ensure sustainable and inclusive economic growth for Singapore.

10. We are starting by focusing on 16 sectors that have the greatest potential for productivity enhancements, contribute a significant share to our GDP, and employ a large number of workers. Working groups have been formed to study and develop strategies to raise productivity for each of these sectors. The entire effort is guided by a tripartite National Productivity and Continuing Education Council, chaired by our Deputy Prime Minister, and comprises members from the government, unions, and employers. These sectoral strategies are supported by continuing education and training programmes to equip workers with the right skills to ensure their continued relevance, and enhance their access to good jobs, in the economy.

11. Economic restructuring is not new to us. We have made the transition from low cost manufacturing in the past to higher value-added, knowledge and technology intensive activities in many of our key sectors. Throughout this journey, we have maintained our open trade regime. This will not change.

- To illustrate our restructuring story, let me cite the example of how we have transformed our electronics sector over the years. In the semiconductor industry, we started out with integrated circuit assembly in the 1960s, and then moved to wafer fabrication and integrated circuit design in the 1980s. Today, 1 out of 10 wafers globally are fabricated in Singapore, and 15 of the top 25 semiconductor companies have their HQ, R&D or manufacturing operations in Singapore.
- Similarly, for hard disk drives, the industry in Singapore has moved from being the world's largest assembler of hard disk drives in the 1980s and 1990s, into the world's largest manufacturer of hard disk media. This is the highest value component inside a hard disk.
- Singapore is now moving into new growth areas such as bioelectronics, where we can combine the capabilities in biomedical sciences and electronics that we have built up over the years.

LIBERALISATION AND COMPETITION REGIMES

12. As we restructure our economy, we will continue to remain open. However, there are certain sectors where the size and maturity of our domestic markets require us to calibrate the pace of liberalisation carefully. The Monetary Authority of Singapore has been liberalising the retail banking sector to allow greater foreign bank participation through the Qualifying Full Bank (QFB) programme since 1999. Both the number, and access granted to the QFBs have also expanded over the years. But we are a small market, and there is a limit to the number of banks and branches that Singapore can support.

13. Similarly, Singapore's legal services sector is much smaller in size compared to most other jurisdictions. We know that there is interest in this sector from other Members. We have fully liberalised the practice of foreign law and international law in Singapore. We have also progressively opened up the practice of Singapore law in recent years, and will continue to do so over time.

14. A few Members have also pointed to the fact that certain services are excluded from Singapore's general competition law. The complexity of the regime of these services renders them better regulated by their respective sectoral regulators. For example, in the area of maritime transport, regulation of cargo terminal operations requires in depth knowledge of the industry, and an understanding of the complex relationships between the different players along the value chain. It is thus more appropriate for competition issues to be assessed by the sectoral regulator – which is, in this case, the Maritime and Port Authority of Singapore.

15. Let me now touch on the issue of the extent and impact of state ownership in the economy. The Government maintains an arms-length relationship with its investment companies. We do not decide on how each investment company should manage its portfolio, nor do we get involved in individual investment deals. Each investment company's Board and professional management team are responsible for these decisions, which are driven solely by commercial considerations.

16. Government-linked companies operate on a commercial basis. Many of these companies are publicly listed. All have to be accountable to their shareholders, which may include international institutional investors. They all exercise market discipline. Like all Singapore-based companies, they are subject to either the general competition law, or the relevant sectoral legislation pertaining to competition.

17. The same principles apply to our Statutory Board (SB) companies, which are set up to perform functions that can be delivered more effectively under a corporate structure. As I had highlighted in my opening statement, the objective of any government involvement is not to suppress or supplant the markets; but to support and sustain them. Government policies are developed with the free market in mind. We abide by what we call a "yellow pages" rule to avoid crowding out private sector players. Put simply, if the activity carried out by the company can be found in the "yellow pages", then Government will exit from that activity. It also helps ensure that our government agencies remain focused on their core missions and do not allocate resources to running irrelevant companies. As with government-linked companies, these companies' government parentage does not grant them any preferential subsidies or treatment. They are subject to the same regulations as private enterprises.

ADDRESSING SPECIFIC TRADE ISSUES

18. Let me now turn to some of the specific issues Members raised on Tuesday relating to Singapore's commitments at the WTO.

19. A few Members have posed questions on some of Singapore's SPS measures. Singapore's SPS measures, and the restrictions we impose, stem from food safety concerns. The safety of our people is paramount. Singapore does not have a beef or poultry industry and imports almost all of our food. It is therefore not in our interest to restrict the import of any food product, or to disrupt our food supply without good cause. As Ambassador Adank noted on Tuesday, we maintain zero tariffs on all food imports. Ready access to diverse food sources is key to our food security strategy. Nevertheless, Singapore is ready to discuss any concerns that our trading partners may have, in order to arrive at mutually acceptable outcomes.

20. Several Members have asked Singapore to bind more tariff lines and reduce the gap between our applied and bound tariff rates in the WTO. A similar question was asked on whether Singapore was prepared to raise the level of our services commitments in the WTO. Singapore is fully prepared to do both in the context of the DDA negotiations, in which we will continue to participate actively and constructively.

CONCLUSION

21. In closing, let me once again express my appreciation to Members for their remarks concerning our contribution to the WTO. We remain fully committed to playing our part in ensuring the continued success of the multilateral trading system.

22. The TPR exercise has been an informative one for Singapore. We appreciate the opportunity to be able to share our trade policies and practices with WTO Members. We see the TPR as an invaluable exercise which promotes greater transparency and understanding of each WTO Member's regime.

23. We "will strive to ensure that Singapore will continue to be a city of opportunities, where people and enterprises can grow and succeed". This is more than just a slogan for us. It is the core principle that guides all our policies.

24. Thank you.