



**Speech by Mr Teo Eng Cheong
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Distinguished Guests,
Ladies and Gentlemen,
Good morning.

The 4 engines of Trade in Singapore

1. In my office, I have a small bronze statue of a labourer bending over and carrying a sack of rice on his back, just like the many labourers who had worked along the Singapore River in the '60s, carrying cargoes between boats and warehouses. This is a reminder to us of the origins of trade in Singapore. Indeed, international trade was the source of livelihood for many Singaporeans in the past and remains a key pillar for our economy today.
2. The trade of today has evolved from 50 years ago. Because of technological advances in transport and communications, globalisation, and Singapore's economic progress, it is much more complicated than before.
3. To understand the full impact of trade on Singapore's economy, it is useful to look at four different engines of trade flows:
 - a. First, the oldest of our four engines of trade flows is transshipment trade, where cargoes are loaded from one ship to another without landing on Singapore territory. The Singapore port is the world's top transshipment hub in the world today, with about 85% of its containers being transshipment cargoes. Obviously, the extensive connectivity and the high level of efficiency of our port operations are important drivers of this transshipment trade.
 - b. The second engine of our trade flows is the trade in goods. This is the number that IE Singapore issues every month which economists use as an indicator of the health of our economy. Last year, total trade in goods was S\$982 billion. You may be surprised to learn that for such a small country, Singapore is the 13th largest exporter and 13th largest importer in the world¹. We have one of the highest trade-to-GDP ratios in the world, reflecting the openness of our trading environment and strength of our manufacturing sector.

¹ Source: WTO

- c. The third engine of our trade flows is trade in services. Our exports of services hit a 10-year high of S\$178billion in 2014. Although relatively smaller in trade volume, this is a fast-growing component of our trade flows – exports of services grew at a CAGR of 10% over the last ten years – more than twice as fast as the growth of exports of goods. This shows the increasing importance of the services sector in our economy. Within services, the export of financial services has grown even faster, at a CAGR of 15% over the past ten years, and it accounts for about 15% of Singapore's total export of services in 2014.
- d. The fourth engine of trade flows is offshore trade, where global trading decisions and operations are orchestrated out of Singapore, whether the cargoes themselves pass through Singapore or not. This usually comprises, but is not limited to, commodity trading. In 2014, our offshore trade volume hit an all-time high of US\$1.3 trillion. Notably, this accounts for 4% of Singapore's GDP and employs more than 14,000 people. This is possible only because global traders are able to obtain real-time information, get the necessary financing from the banks and capital markets here, and manage their risks and operations from Singapore.

Success factors of Singapore as a trading hub

4. Many success factors have contributed to the four engines of trade flows over the years. At the risk of over-simplifying, these can be grouped into 3 broad categories: connectivity, capital and capabilities.
5. On connectivity, the statistics of our port and airport tell the story convincingly. The PSA port is served by some 200 shipping lines, with links to more than 600 ports. Changi Airport is served by 80 airlines with over 4,000 flights connecting to more than 180 cities. Both the port and airport ensures that Singapore is closely connected to the world. Besides physical connectivity, our Free Trade Agreements, Avoidance of Double Taxation Agreements and Bilateral Investment Treaties also ensure that there are no unnecessary barriers between Singapore and the world, further enhancing our connectivity.
6. On capital, Singapore is a global financial hub, with strong banking, insurance sectors, capital markets as well as one of the largest foreign exchange markets, including the offshore RMB market. For many of you here, this is your area of expertise and you would know Singapore's financial sector well. So I will not belabour this point.
7. Finally, the third success factor is capabilities. A skilled manpower is needed to power all the four engines of trade flows, be it in port operations, in our manufacturing sector, in our services sector or in offshore trading. As the agency promoting trade, IE Singapore has taken the lead to deepen the skillsets of Singaporeans in these areas. For instance, together with International Chamber of Commerce or ICC, we launched the ICC Academy in March this year. The Academy will institutionalise the ICC's education and training programmes here in Singapore. It is expected to provide world-class training for more than 5,000 professionals every year by 2017.
8. IE Singapore has also partnered with Nanyang Technological University to develop the International Trading Programme which started its first intake in August. We

received tremendous support from eight founding industry partners² from various sectors and countries. This programme allows students from multiple fields to be trained concurrently in trade-related courses. Graduates will develop a deeper understanding of the commodity value chain, especially in the context of key Asian producers and markets.

9. These programmes provide opportunities for Singaporeans to access good jobs and global careers in the finance and trading sectors, in line with Singapore's national SkillsFuture initiative.

Conclusion

10. Singapore's trading environment has made tremendous progress over the last 50 years. From an entrepot trading centre, we have become the world's top transshipment hub, one of the world's largest partners in trade in goods and trade in services, as well as one of the top offshore trading centres.
11. It is clear to us that we will need connectivity, capital and capabilities to continue as a global trading hub. And we are committed to finding all ways and means to sustain and enhance this trading ecosystem that we have developed over 50 years. The little labourer statue in my office is not only a reminder of our heritage, but also a reminder that we need to work as hard as before, in order to retain our place in the world of international trading.

Thank you.

National Archives of Singapore

² Borouge, Bright Ruby, CAO, Chevron, Petrobras, South32, Trafigura and Wilmar