

'Balanced economy key to robust growth'

Manufacturing, services can positively reinforce each other: Hng Kiang

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ACHIEVING dynamic economic growth in these uncertain times will require a balanced and well-diversified economy that relies on both services and manufacturing, Trade and Industry Minister Lim Hng Kiang said yesterday.

Today's complex world, where events in one region can profoundly affect another, has led governments to review the way they develop economic policies, he said at a regional economic conference.

Citing the case of Japan, he noted that the global supply chain is still affected by the tragic events there, even though it has been three months since the earthquake.

"The traditional approach to risk management by diversifying across markets will no longer work as developments in one market quickly affect another," Mr Lim noted, speaking at the two-day Pacific Economic Cooperation Council forum held at Orchard Hotel.

For Asia-Pacific economies, trade is, and will be, an important growth driver, he said, adding that it accounted for 61 per cent of employment across the region, according to 2007 figures.

To drive services growth further, economies need to liberalise trade in services, as this will lead to generating new types of service offerings and knowledge across borders, he said. But to achieve "robust employment within an economy, it is es-

sential to build a balanced and diversified economic structure", which rides on both manufacturing and services.

This is because both sectors can positively reinforce each other, as has been the case in Singapore, he added.

"Spillover effects from manufacturing activities also serve to generate business, value-add and jobs for the service sector," said Mr Lim.

For instance, Singapore's efforts to grow the manufacturing sector have resulted in companies setting up research and development facilities here, which has generated growth in services such as financial and legal, he said.

"Economies traditionally focused on trade in services are now also seeking to raise the contribution of their manufacturing sector in recognition of the importance of a balanced economic structure," he added.

Academics and government officials at the forum also discussed ways to remove barriers to trade in the service sector in the region.

Ms Tatiana Palatov, deputy head of services and investment at Russia's Ministry of Economic Development, said services exports in the Asia-Pacific region last year amounted to US\$1.488 trillion (S\$1.83 trillion).

Despite the huge sum, she said there was potential for further improvement, singling out transport, media and mining as areas that were most restrictive in terms of allowing for foreign direct investment.

To increase trade in services, she suggested that countries in the region exchange best practices and create stable macroeconomic policies to boost the business climate.

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