



## Speeches

**SPEECH BY MR LIM HNG KIANG, MINISTER FOR TRADE AND INDUSTRY, AT THE DINNER FOR THE PACIFIC ECONOMIC COOPERATION COUNCIL (PECC) CONFERENCE ON , 09 OCTOBER 2009, 7:00 PM AT ORCHARD HOTEL, BALLROOM 1**



Mr Jusuf Wanandi, Co-chair, PECC

Assoc Prof Tan Khee Giap, Chair, SINPECC

Amb Ong Keng Yong, Director, IPS

PECC members,

Ladies and gentlemen

1. It is my pleasure to join you for dinner. Let me first extend a warm welcome to all of you, especially to our overseas friends who have come to Singapore to attend this conference.

2 The global economic situation has eased since the financial crisis started about a year back. Leading indicators are looking up, and the IMF recently lifted its forecast for global GDP growth in 2010 to around 3%. But it is too early to take our eyes off the economy – it will be a bumpy ride, fraught with risks. At the same time, we should now start to look at how to retool our economies to position ourselves for new growth opportunities in the post-crisis landscape.

3 The issue of how to re-position the Asia-Pacific economies for new growth paradigms has been a preoccupation in the APEC meetings that Singapore has been chairing this year. It will occupy our Leaders' minds when they gather in Singapore next month for the Summit. It cannot be "growth-as-usual" going forward.

4 We must start to gradually unwind the global macro imbalances, which were at the root of the crisis. We must spread the benefits of growth more broadly across all segments of society, so as to maintain the consensus for globalisation. We must start steering our growth paths onto a low-carbon trajectory, to mitigate the risks of climate change and leave a sustainable future for the next generation. At the same time, APEC economies must remain firmly committed to promoting free trade as the key engine of growth to uplift all segments of society.

5 Since its founding 20 years ago, APEC's steadfast efforts to keeping pushing for open markets and free trade has made a tremendous contribution to boosting growth and prosperity in the region. For instance, through unilateral liberalisation by economies, average tariff rates in the Asia-Pacific fell by two-thirds during the first 15 years of APEC's existence – from 17% in 1989 to 5.5% in 2004. Intra-APEC merchandise trade has grown five-fold - from US\$1.7 trillion in 1989 to US\$8.4 trillion in 2007.

6 The question before us is what to push for next, given the already low existing tariff rates. Indeed, because tariff rates in the Asia-Pacific are already relatively low, the marginal benefits of further reduction in such barriers are likely to diminish.

7 This is why APEC is focusing on the next wave of economic integration - dealing with the practical, behind-the-border obstacles faced by businesses so that they can draw fuller benefits from open markets.

8 There are three key thrusts along which APEC can make contributions toward this next wave of trade policy-related reforms.

- Ø First, making FTAs more business-friendly.
- Ø Second, making regional supply chains smoother and more efficient.
- Ø Third, improving the business and regulatory environment.

Let me elaborate.

9 First, on making FTAs more business-friendly. Since the late 1990s, the Asia-Pacific has been at the forefront of trade liberalisation, with a fast-growing network of bilateral and regional FTAs. In 2000, there were only three concluded FTAs in Asia. In just nine years, the number has risen to 54. This trend has helped bring tariffs down and boosted trade.

10 However, the flipside of the spread of FTAs is that it has led to more diverse and complex rules of origin (ROOs). This has raised the cost of compliance for business that want to make use of the FTAs.

11 Indeed, in APEC's consultations with businesses, both importers and exporters have drawn attention to the tedious processes related to the use of ROO-related documents. Many highlighted the tedious layers of information required for application and authentication of such documents, and in general, the huge workload involved. Obviously, if the costs associated with administering rules of origin are too high, then that undermines the benefits derived from the FTAs. Cumbersome ROOs would lead to the under-utilisation of FTAs. A recent ADB survey among 609 firms in the East Asian region<sup>[1]</sup> found that only 22% take advantage of FTAs.

12 APEC has therefore been focusing on simplifying the procedures and documentation related to ROOs. We want to help maximise the potential gains from these FTAs, so that more businesses and consumers in the Asia Pacific can enjoy the benefits of lower materials costs and more affordable products.

13 Second, making regional supply chains smoother and more efficient. The decentralisation of global production networks, more complex customer demands, and the shortening of product life cycles have made it increasingly important for businesses to be able to move goods in a predictable, timely, and cost-effective way.

14 Achieving smoother and more efficient regional supply chains can help businesses to better tap the growing opportunities in the Asia-Pacific, and for the region to more fully realise the opportunities from trade and investment liberalisation. The potential gains for the region from enhanced connectivity are significant. In a study conducted by the Australian Centre of International Economics (CIE), it was found that a 10 percent rise in efficiency in supply chain connectivity could lead to an increase of US\$21 billion dollars per

year in combined APEC GDP<sup>[2]</sup>. In another study, it was found that each additional day of delay for a good prior to being shipped reduces trade by at least one per cent<sup>[3]</sup>.

15 Hence, APEC embarked on a Supply Chain Connectivity initiative early this year to identify and address key chokepoints in the regional supply chain. This could include, for instance, improving and forging closer links for all forms of transport networks from land, air and sea so that shipments can move smoothly and quickly, to simplifying customs procedures so that exports do not incur costly delays. APEC has identified several of these chokepoints and we look forward to completing the exercise by year-end, along with proposed actions for economies to work together to address them in future.

16 Third, to improve the business environment in the region. We want to enhance the business environment by focusing on regulatory reform to make it easier, faster and cheaper to do business in the region. This means, for instance, shortening the time needed to get a licence or streamlining procedures to start a business. Reforms on areas that impact the daily operations of business could make the Asia-Pacific an even more attractive investment destination and encourage greater cross-border trade.

17 This year, Singapore is leading an APEC initiative to identify key regulatory areas for reform and five areas of interest to the business community have since been identified. They are: a) starting a business; b) getting credit; c) trading across borders; d) enforcing contracts; and e) getting permits.

18 The next step is to set APEC-wide targets for all the five areas so that we can measure progress. We are also working together to design reform programmes led by "champion economies" with strengths in each of the areas. APEC economies are well-positioned to collectively push for more improvement in the business environment. Nine of the APEC economies are among the top 20 in the World Bank's Ease of Doing Business rankings in 2010. The approach is to leverage on one other's strengths to help all the APEC economies move up. We look forward to announcing more details on the targets and reform programmes at the upcoming APEC ministerial meeting in November.

19 This next wave of reforms will not be easy to implement and will take time. Compared to cutting tariffs, they are also administratively and technically more complex, and require an economy to have the capacity, determination and will to implement the necessary changes.

20 APEC's traditional strengths of building capacity through the sharing of experiences and best practices will be a plus in this next wave of trade reforms. Because APEC is voluntary and non-binding, its unique pathfinder approach enables smaller groups of like-minded economies ready and willing to undertake reforms to go ahead first, allowing others to join in later when they are ready.

21 With APEC's strong commitment to regional economic integration and a flexible approach that facilitates reform, I am confident that APEC will continue to stay at the forefront of trade and investment liberalisation in the next 20 years.

22 In conclusion, I want to thank the organisers of this conference for arranging an excellent and comprehensive programme that aims to tackle the important issues that policy-makers need to think hard about regarding the post-crisis economic landscape. I wish you all fruitful conversations and a productive exchange of views. We also look forward to tapping your ideas to further advance APEC's agenda for this

new landscape.

23 Thank you.

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[1] Kawai, M. and Wignaraja, G., Asian FTAs: Trends and Challenges, ADBI Working Paper Series, No. 144, August 2009

[2] "Supply Chain Connectivity Across APEC: Identifying and Prioritizing Chokepoints", The Centre for International Economics, May 2009.

[3] [3] Djankov, S., Freund, C. & Pham, "Trading on Time", World Bank Working Paper No. 35379, Jan 2006