

Chapter 6

EXTERNAL TRADE



OVERVIEW

[Tables 6.1, A6.1–A6.2 and Chart 6.1]

Growth of external trade was healthy...

Singapore's external trade rose by 9.8 per cent in the fourth quarter, faster than the preceding quarter's 2.5 per cent increase. Total trade reached \$225 billion which is higher than the \$217 billion in the previous quarter. In volume terms, total trade grew by 7.9 per cent, after expanding by 5.6 per cent in the third quarter.

Singapore's total trade grew by 4.5 per cent in 2007. The level of total trade reached \$847 billion in 2007 compared to the previous year's \$810 billion. Exports and imports grew by 4.4 and 4.5 per cent respectively in 2007. Oil trade was strengthened by oil price hikes while non-oil trade was supported by the growth of exports of non-electronic products, such as pharmaceuticals, aircraft parts and civil engineering equipment parts, and electronic products like parts of integrated circuits (ICs).

Total trade grew by 4.5 per cent...

EXPORTS

[Tables A6.3–A6.4]

Total export growth led by stronger domestic exports...

Total exports increased by 7.1 per cent to reach \$117 billion in the fourth quarter. This growth was driven largely by strong growth of domestic exports, which grew by 10 per cent compared to the earlier quarter's 4.7 per cent gain. At the same time, growth of re-exports grew by 4.1 per cent, following the 3.6 per cent gain in the earlier quarter.

EXTERNAL TRADE AT CURRENT PRICES

[TABLE 6.1]

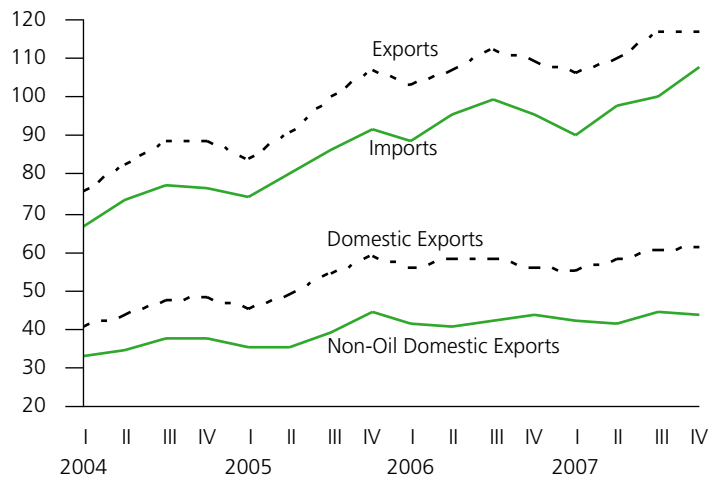
	2006		2007				2007
	4th Qtr	Annual	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
	Percentage Change Over Same Period Of Previous Year						
EXPORTS	2.0	12.8	3.4	2.9	4.2	7.1	4.4
Domestic Exports	–4.9	9.6	–1.4	0.0	4.7	10.0	3.3
Oil	–15.7	12.9	–11.6	–3.7	1.1	47.8	6.1
Non-Oil	–1.4	8.5	2.1	1.5	6.1	–0.4	2.3
Re-Exports	10.5	16.6	9.1	6.2	3.6	4.1	5.6
IMPORTS	4.2	13.7	2.3	2.4	0.6	12.8	4.5

Source: International Enterprise Singapore

EXTERNAL TRADE

[Chart 6.1]

\$ Billion



DOMESTIC EXPORTS

[Tables A6.5–A6.7]

Non-Oil

NODX in the fourth quarter declined due to a decrease in domestic electronics exports...

Non-oil domestic exports (NODX) declined by a marginal 0.4 per cent, after registering growth rates of 1.5 per cent and 6.1 per cent in the second and third quarter respectively. The contraction in NODX was due to a fall in electronics NODX.

Electronics NODX contracted by 8.3 per cent, after decreasing by 5.7 per cent in the third quarter. The drop in electronics NODX was due to the lower exports of parts of ICs, telecommunications equipments and disk drives which offset the growth in NODX of parts of ICs and consumer electronics.

Non-electronics NODX grew at a slower pace of 6.0 per cent after a 17 per cent growth in the previous quarter. The continued rise in non-electronics NODX can be attributed to higher domestic exports of ships and boats, petrochemicals, specialised machinery and civil engineering equipment parts. Increased sales of ships and boats to Australia, Kuwait and Malaysia resulted in the 1,600 per cent growth of ships and boats domestic exports in the fourth quarter. Domestic exports of petrochemicals expanded by 7.7 per cent, strengthened mainly by higher sales to Japan, Vietnam and China, while shipments to Indonesia dropped. NODX of specialised machinery gained 51 per cent, contributed largely by increased domestic exports to Taiwan and China.

The top ten NODX markets accounted for 82 per cent of Singapore's total NODX in the fourth quarter. NODX to seven of the top ten markets (South Korea, Thailand, Hong Kong, Taiwan, China, the US and Malaysia) grew in the fourth quarter.

NODX to emerging markets increased by 12 per cent, reversing the 5.3 per cent fall in the third quarter. This expansion of NODX to emerging markets was largely contributed by stronger exports to South Asia, Indo-China and the Caribbean.

Oil

Boost in oil domestic exports as oil prices gain...

Oil domestic exports surged by 48 per cent, up from the 1.1 per cent growth in the third quarter, as oil prices peaked in the fourth quarter. This expansion of oil domestic exports was mainly because of the higher sales to Indonesia, Hong Kong, Panama and Malaysia. In volume terms, oil domestic exports gained 7.7 per cent, after contracting 1.7 per cent in the previous quarter.

Re-exports

[Table A6.10]

NORX experienced slower growth, as re-exports of electronics declined and non-electronics decelerated...

Non-oil re-exports (NORX) continued to gain by a marginal 1.3 per cent, lower than the 4.2 per cent growth in the third quarter. Electronics re-exports decreased by 2.4 per cent, after posting a slight 0.8 per cent contraction in the preceding quarter. The fall in electronics re-exports was driven by decreased re-exports of disk drives, telecommunications equipments and ICs. Non-electronics NORX increased by 7.0 per cent, down from the 12 per cent expansion in the previous quarter, mainly because of higher exports of aluminium, civil engineering equipment parts and piston engines.

NORX to six of the top ten NORX markets continued to grow in the fourth quarter, except for the US, China, Thailand and Japan. Among the top ten markets, Indonesia and South Korea made the largest contributions to NORX growth. NORX to Indonesia expanded by 14 per cent because of stronger re-exports of electronics goods such as ICs and PCs. Non-electronics NORX to Indonesia also posted healthy growth of 22 per cent, contributed by civil engineering equipment parts. NORX to South Korea grew by 22 per cent, driven by re-exports of ICs, nickel and electricity distributing equipment.

IMPORTS

[Table A6.9]

Non-oil imports grew due to increase in non-electronic imports...

Non-oil imports (excluding aircraft and ships) rose at a faster pace of 4.5 per cent in the fourth quarter after growing 2.7 per cent in the third quarter. The gain was due to growth in non-electronic imports, which offset the decline in electronics imports. Increased purchases of civil engineering equipment parts and piston engines contributed to the growth of non-electronics imports. The decline in electronics imports was due to decreased purchases of consumer electronics and disk drives.

Oil imports rose by 59 per cent in the fourth quarter compared to the 8.8 per cent decrease in the previous quarter. In volume terms, oil imports gained by 16 per cent compared to the third quarter's 11 per cent contraction.

INTERNATIONALISATION EFFORTS

The internationalisation of Singapore-based companies continued in 2007 through the facilitation of increased market access, the fostering of strong industry linkages in key services sectors, and strengthening Singapore's position as an international trade hub. Continued efforts were also made to develop the capabilities of Singapore's home-grown companies, and help them gain access to capital and build up financial management capabilities for overseas expansion.

INCREASED MARKET ACCESS

Singapore remained active on the trade liberalization front and gained greater market access for our exports throughout 2007.

FTAs

In 2007, Singapore concluded negotiations with Peru. This will be Singapore's second bilateral comprehensive economic pact between Singapore and a Latin American country. Pending the entry into force of the Peru-Singapore Free Trade Agreements (FTAs), the total number of FTAs currently in force is 11. These FTAs are the ASEAN Free Trade Area (AFTA) and Singapore's FTAs with New Zealand, Japan, the European Free Trade Association, Australia, the United States, India, Jordan, Panama, Korea and a multi-party Trans-Pacific Strategic Economic Partnership (consisting of New Zealand, Chile, Brunei and Singapore). In addition, negotiations for an FTA between Singapore and the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) began in January 2007, and should be concluded by 2008.

As part of the ASEAN regional grouping, Singapore continued to be deeply involved in FTA negotiations throughout 2007 with China, Japan, Korea, India, Australia and New Zealand. These FTA negotiations saw immense progress, culminating in milestone achievements, such as the substantive conclusion of the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement and the signing of the ASEAN-Korea FTA Trade in Services Agreement in November 2007. In addition, ASEAN and the EU agreed on the launch of negotiations for an ASEAN-EU FTA in May 2007.

WTO

On the multilateral front, the Doha Development Agenda (DDA) negotiations continued to suffer setbacks in 2007 with the inability of key WTO member countries such as the United States, the European Union, Brazil and India to bridge their differences in Agriculture and Non-Agricultural Market Access (NAMA). Since then, member countries have been working to find convergence on these issues, as well as other key issues such as Services and Rules. Singapore is committed to an ambitious outcome in the DDA negotiations, and continues to play an active role notably in NAMA and Services, most recently with the tabling of middle-ground proposals to bridge the gap between developed and developing members.

ASEAN

A key development in 2007 was the signing of the Declaration on the ASEAN Economic Community (AEC) Blueprint by ASEAN Leaders, at the 13th ASEAN Summit held in Singapore. With this, ASEAN Member Countries signalled their commitment to further economic integration towards a single market and production base by 2015, with the free movement of goods, services, investment and skilled labour and the freer flow of capital in the region. Also signed at the 2007 ASEAN Summit was the ASEAN Charter, a document that moves ASEAN towards being a more rules-based organization so as to better meet the challenges of regional integration, the expansion of external linkages and rapid globalization.

APEC

The Asia-Pacific Economic Co-operation (APEC), under the Chairmanship of Australia in 2007, continued to deepen regional economic integration and make progress toward the Bogor Goals of free and open trade and investment by reducing tariffs and other barriers to trade and investment across the Asia-Pacific region. Notably, APEC Trade Ministers endorsed three new sets of model measures for RTAs/FTAs chapters, which serve as a reference to help APEC member economies achieve high quality free trade agreements. APEC economies committed to complete the full set of model measures by 2008. Ministers also endorsed the second Trade Facilitation Action Plan (TFAP II), which sets out a framework and timetable for APEC economies to achieve a further reduction of 5 per cent in trade transaction costs by 2010. In addition, Ministers instructed APEC senior officials to prepare an Investment Facilitation Action Plan that provides greater coherence to APEC's investment work, promote better understanding of the elements of a sound investment policy regime and address capacity building needs.

Demonstrating their commitment to maintaining the momentum from 2007, Leaders endorsed a report on ways to promote further economic integration in the Asia-Pacific region, including examining the options and prospects for a Free Trade Area of the Asia-Pacific. Ministers and officials are to carry this work forward and report in 2008 with a summary of steps taken. Meanwhile, APEC Leaders reaffirmed their commitment to the multilateral process through a standalone statement calling for progress towards an ambitious and balanced outcome in the WTO DDA negotiations. Leaders also reaffirmed their commitment to work with international community to address the challenges of climate change, energy security and clean development.

CAPABILITY DEVELOPMENT

Capital Enabling

More than 500 Singapore-based companies were given assistance through various financing schemes in 2007 to access capital, protect against buyers default or develop sound financial strategies.

In August 2007, the Loan Insurance Scheme (LIS) Tranche 3 was launched jointly with SPRING as a credit enhancement tool for Singapore companies to access trade financing loans. Under this scheme, global underwriters will underwrite up to \$3 billion worth of domestic and export-oriented trade financing loans offered by Participating Financial Institutes. Companies will pay only half of the premium at 0.75 per cent, with the government sponsoring the other half of 0.75 per cent.

Business Capability

Companies were encouraged to band together via the International Partners (iPartners) programme. In 2007, four alliances comprising 17 Singapore-based companies were formed. Since its launch in October 2003, 29 iPartners alliances involving 150 companies have been facilitated.

Branding and design continued to be key focus areas to build differentiation into Singapore products and services. Companies benefited from training workshops, industry roundtables and seminars, and through one-to-one in-depth advisory sessions. Companies also received grants to help them develop long term strategies for building branding and design capabilities.

TRADE DEVELOPMENT

FTA Outreach

In the year 2007, 27 FTA seminars were organised to reach out to over 2,700 company representatives. The flagship FTA Symposium was launched to educate the business community on the benefits of FTAs and the process of leveraging on the tariff concessions. The FTA website was also revamped with user-friendly features, which included a tariff calculator on the five top ASEAN markets, Australia, United States, Korea, India and China. A panel of FTA Advisors was also launched to increase the awareness and use of FTAs among Singapore-based companies.

A total of 374 individual company consultations were undertaken to assist with documentation and other process-related issues. Through this assistance, 30 companies reported successful usage of the FTAs.

International Trading

The International Trading Institute (ITI), which is the world's first training institute to focus specifically on international trading, was launched in 2007. In a unique tripartite collaboration with the Singapore Management University and 16 industry partners, the ITI aims to fill a critical gap in training talent for the trading field in Singapore. The ITI will also be engaged in applied research and offer consultancy services for the international trading sector.

To build up Singapore's intellectual capital in international trading, the biennial Global Trader Summit was organised in May 2007. The two-day conference was well attended by over 200 top business leaders and generated strong interest for repeat participation.

More companies were anchored in Singapore to conduct offshore trading. Under the Global Trader Programme, there were 42 new companies in 2007, which are expected to generate approximately \$4 billion worth of incremental total business spending.

International Partnerships

Six new IE Hub Partners were attracted to hub in Singapore in 2007, bringing the total number of IE Hub Partners to 40. The new IE Hub Partners were B4 Partnership (Chile), BKPM (Indonesia), Chengdu Centre, GEDC (China), BIDA (Indonesia) and BVM (Germany). These IE Hub Partners can help the enterprises in their premises to expand into the region and beyond.

Singapore attracted more foreign enterprises to establish representative offices (ROs) here with 270 new ROs registering in 2007. The ROs contributed to a total business spending of \$424 million in 2007.

STRONGER INDUSTRY LINKAGES

Business Services

The year 2007 saw Singapore players in the education and healthcare sectors pursuing their international expansion strategies and continuing to enlarge their business footprint closer to home. Education companies were able to leverage their competencies to build new centres of learning and form strategic partnerships with counterparts in Vietnam and China.

Companies in the healthcare sector also made inroads into China, Vietnam and India, capitalising on their growing affluence and rising demand for professional healthcare services. Singapore companies received support to build strong marketing networks, facilitate channels development, enhance local market intelligence, and exploit better marketing strategies. Two books on the healthcare and education sectors were launched to showcase the achievements of Singapore's healthcare and education companies and raise their profile to potential overseas partners.

Infrastructure Services

In 2007, Singapore infrastructure services companies continued to make inroads into the key markets of China, India and Vietnam while expanding their footprints in newer markets such as Russia and Abu Dhabi. An infrastructure mission to Krasnodar Krai, the venue for the 2014 Winter Olympics, was conducted to explore business opportunities in master planning and hospitality services.

In real estate development, Singapore companies undertook projects to develop property and township projects in Abu Dhabi. Singapore companies in real estate and industrial park development also made more investments in Vietnam. In the oil and gas sector, Singapore companies engaged in discussions with their counterparts to build accommodation barges and gas facility control systems in Qatar. Besides opportunities in the oil and gas sector, Singapore companies also ventured into offshore and marine opportunities in China, including collaboration in shipyards and fabrication yards.

Transport and Logistics (TL)

To target expansion opportunities overseas, the formation of loose alliances among complementary transport and logistics companies was encouraged and supported. This was in recognition of the fact that Singapore companies would be able to offer a stronger value proposition by banding together.

For instance, a consortium of three logistics technology companies was formed in 2007 to tap the growing demand for supply chain management and radio frequency identification solutions in China, Malaysia and Thailand. Through combining their specialised capabilities together, the consortium is able to offer a one-stop shop service to customers. On the maritime side, an alliance was also initiated among port-related service providers to target business opportunities in the Yangtze River Delta region. Further support was also given to the alliance in terms of government advocacy, marketing and provision of ground intelligence.

Electronics and Precision Engineering (EPE)

Business matching was a key tool to capture industry mindshare and promote exports from the EPE sector, specifically through Global-Asia Trade Exchange (GATE07) and the Auto IGNITE Shanghai Roadshow. GATE07 saw the gathering of 30 buyers and over 80 suppliers. A technology showcase that featured innovations in material use and manufacturing processes increased the visibility of Singapore-based EPE companies' capabilities. The inaugural Auto IGNITE Shanghai Roadshow in May 2007 successfully introduced 35 Singapore automotive components companies to 17 Tier 1 IPOs in Shanghai and conducted focused pre-matched meetings.

Two consortiums – the Automotive Sensors Consortium and the Automotive Door Closure Consortium – were formed to penetrate the automotive sector. Both consortiums have signed memoranda of understanding to capture greater overseas sales from European and US customers. Once completed, they will be the first iPartner consortiums to be formed under the Auto Ignite programme.

Various outreach programmes, such as an inaugural supplier roundtable and a mission to India, were organised with the support of the India Advisory Panel (iNAP). Market awareness was created through two media features of Singapore EPE companies' footprint and experience in the India market. These efforts helped to generate over \$70 million worth of sales clocked from initial exports to buyers.

An inaugural four-day business mission visited Tel-Aviv, Israel to explore technology partnership opportunities with Israeli companies. A delegation of 19 persons from 10 Singapore-based companies, together with IDA and SPRING participated. The mission generated potential overseas sales worth \$15.2 million from Singapore-Israeli company collaborations on medical and high-mix, low-volume manufacturing.

Information Communications Technology (ICT)

In the area of ICT, Singapore achieved good mindshare in the Middle East as a key partner for e-government. Two consortiums, namely the Singapore e-Government Services Alliance and Singapore Homefront Security Consortium, were formed to focus on market development for e-government and homeland security respectively. Government delegations from countries such as Oman and Abu Dhabi visited Singapore to study leading implementations in e-government services.

Strategic collaboration with Financial Insights brought the FinTech Asia Congress to anchor in Singapore starting from 2007. The event brought together business and technology for the financial sector and served to promote regionally the local ICT industry supporting the global financial institutions in Singapore. In the field of consumer ICT, awareness of Singapore as a sourcing partner was raised in various countries in South Asia and Latin America.

Lifestyle Services

For the food sector, Singapore continued to build the strong Tasty Singapore brand globally through media publicity, education of our product offerings and cuisines, missions, fairs and retail promotion. For example, the Tasty Singapore Timeless Recipes book was launched in May 2007 to internalise the usage and acceptance of Singapore products and cuisines amongst foreign consumers and trade buyers. To further raise the awareness of Tasty Singapore, advertorials and media pitches were also made to key media outlets both locally and overseas.

The annual Tasty Singapore Culinary Mission from the US in May 2007 continued to score successes for Singapore companies with potential deals and products gaining access to mainstream markets shelves in the US. In October 2007, Singapore companies also took part in the iconic US culinary event Worlds of Flavours, which provided an excellent platform to showcase our products and cuisines to participating delegates from the world over.

IE also supported the Singapore Food Manufacturers' Association and the Singapore Manufacturers' Federation in their overseas food fairs grouped under the Tasty Singapore branding. In 2007, Tasty Singapore was also extended to the food services industry, with IE partnering the Restaurant Association of Singapore in its flagship Tasty Singapore Chef RAS Cooking competition.

In the furniture sector, Singapore companies' exploration of new markets like India and the Middle East yielded encouraging results. New buyers were introduced to Singapore companies at the International Furniture Show in March 2007 and a seminar on export trade was conducted for new exporters. In addition, under the LEAD programme, the development of the iconic International Furniture Centre was launched in December 2007.

In the area of fashion, IE Singapore continued to help the industry reach out to new buyers through the industry's key business platform, Singapore Fashion Week (SFW). SFW 2007 brought in an estimated \$3 million in sales for its participants. Singapore companies also expanded their retail presence in Asia, in particular emerging countries such as India and Vietnam. Assistance was provided to companies to diversify their overseas manufacturing network to previously unexplored markets such as Bangladesh whilst they retain their core operations in Singapore. With respect to trade policy, apparel manufacturing companies were given help to prepare them for potential protectionist measures adopted by other countries while leveraging Singapore and ASEAN's existing network of FTAs.

Environmental Services

In 2007, Singapore's environmental services companies continued to grow and make advancement into key markets such as China and the Middle East. A Singapore company secured a \$1.5 billion design-build-operate contract for a wastewater treatment and reuse plant in Qatar. The first environmental project was also clinched in Saudi Arabia. Besides existing markets, missions were also made to new markets such as Australia and Vietnam. Singapore also continued its efforts to cultivate multilateral organisations such as the Asian Development Bank to help Singapore players gain access to projects.

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