

SINGAPORE

Hank Lim

Singapore Institute of International Affairs

Singapore's trade policy

Singapore's remarkable economic transformation in the last four decades has been, to a large extent, due to its capacity to leverage on external resources and external market to achieve economic growth far beyond its domestic economic resources. Singapore has adopted a trade policy based on the principle of comparative advantage. It also dictates the market mechanism in allocating its scarce resources and oversees its domestic economic management and international trade policy.

The fundamental principle of Singapore's trade policy remains unchanged: Multilateral trade regime is the most optimum in promoting regional and global economic growth and prosperity. However, the changing economic environment necessitates the shift in trade strategy to achieve the same objective. Alternatively, Singapore has actively initiated bilateral trade liberalization with its major trading partners as long as those regional and bilateral trade agreements are the "building blocks" rather than the "stumbling blocks" to nondiscriminatory multilateral trading regime and directed toward freer and more transparent movements of goods, services, and investment across national borders.

These multiple layers and multiple approaches on trade policy are intended ultimately to promote a transparent, fair and rule-based trading regime that covers not only trade in goods and services but also investment flows, intellectual property, free flow of skilled labour, competition policy, market access, technical cooperation, and capacity building.

Roadmap to East Asia economic integration

Singapore is fully committed to regional economic integration through its membership and contributions in the ASEAN Economic Community, ASEAN+1, ASEAN+3 and ASEAN+6. Acting as a model for other ASEAN countries, Singapore is a test case for the diversity of possible approaches that can be utilized in the roadmap to East Asian economic integration.

Singapore supports the Report of the Joint Expert Group on the feasibility study on EAFTA, which aims to meet the challenges of globalization by leveraging on globalization, gaining greater economic benefits from the region-wide arrangement, and understanding the East Asian production networks better.

Diversity and heterogeneity in East Asia can be a source of dynamism with respect to production networking of agglomeration and fragmentation. However, in the short-run, diversity in stages of economic development, domestic policy priorities and constraints can become more of a distortion and impediment to regional economic cooperation.

Trade and investment liberalization must be accompanied with development, specifically with the aim to reduce development gaps through regional capacity building, trade and investment facilitation and other forms of regional public goods. Although ASEAN is accepted as the “hub” of East Asian regional integration, it has provided the opportunity and space for other APT countries to initiate and champion certain positive policy initiatives.

In fact, the process toward an East Asian community must be driven by champions and based on issues raised by APT and EAS members because there is an absence of clearly acceptable regional leaders, unlike those of other regions.

Greater efforts should be made in studying how to translate the concept of community building in East Asia into concrete policy actions. The basic framework and modality of East Asia regional community building has been identified but they are inadequate in terms of a detailed “roadmap,” specifications, schedules and directions on how to proceed.

For this reason, Singapore supports the proposed establishment of ERIA with the following objectives: To facilitate the ASEAN Economic Community and support ASEAN’s role as the driver of the wider economic integration and sustainable growth in the region; to help narrow the development gaps; to foster research activities that add value to public policy; and to nurture a greater sense of community building in East Asia.

To be effective as a regional institution, ERIA must be a credible policy-oriented think tank that can provide the following high-impact policy recommendations:

- To take a rigorous and comprehensive inventory of all bilateral, sub-regional and regional FTAs and identify their positive and negative elements related to regional economic integration;
- To establish a monitoring mechanism and scorecards with respect to the schedule, timeline, compliance and distortions with all trade in goods, services, and

investment agreements;

- To provide policy recommendations that are realistic, pragmatic but at the same time ambitious and visionary.

Singapore's approach to regional integration may serve as a helpful template to ASEAN and other East Asian countries either in bilateral or regional trade agreements. To take initiative and provide proactive recommendations may be a niche role that Singapore can do.

De jure integration has not been effective in supplementing and supporting de-facto integration in East Asia, particularly in service and investment integration. Singapore has to cope with the "spaghetti bowl" effect, which arises from the many different sets of rules of origin. What is really needed is a set of regulations that is region-wide and could be applied as a general rule to all products and services.

Policy priority should be given to closer and more effective financial and capital market integration. East Asia is integrated through global financial markets rather than through regional ones and has developed stronger financial ties with the United States and Western Europe than with one another. Stronger economic integration with full international financial integration will enable each country in the region to be insured against country-specific income risks.

Various financial arrangements that promote financial and monetary cooperation in the region such as the network of bilateral swap agreements under the Chiang Mai Initiative seem to be sidelined. The massive foreign exchange reserve accumulated by East Asian countries can be used to finance regional infrastructure and other regional development projects, and to narrow development gaps in East Asia.

The development of SMEs in the region is critical because the success of their collective and individual efforts will go a long way in reducing regional and domestic income gaps, in creating a balance of income and employment and in securing a more sustainable human and social security in the midst of rapid economic growth in income and output.

Intraregional trade and investment is rapidly increasing through regional production networking, agglomeration and fragmentation. To facilitate further regional integration and at the same reduce development gap, it is important to actively promote a comprehensive and integrated infrastructure development plan that will transform the region into an integrated economic geography and entity.

Sustainable development issues such as energy security, water resources, and climate change are as equally important as the need for a regional cooperation on how to promote SMEs and the aim to narrow development gaps. These development issues

have to be given resolutions before they become impediments and bring serious risks to the region.