

## Asia-Ready Webinar Series

### **Trade and Agreements – Regional Partnerships and How They Affect You(th)**

The Asia-Ready Webinar Series is co-curated with various partners to allow youth to gain a better appreciation of the regional developments and a greater awareness of Singapore's interconnectivity with the regional markets.

Fri, 14 May 2021

3:30 PM - 4:30 PM

Online Event



### About the Webinar

#### **Speakers**

Mr Alvin Tan – Minister of State for Trade and Industry and Culture, Community and Youth

Mr Raymond Yee – Vice President (Customs and Regulatory Affairs), DHL Express

Ms Faridah Mohd Saad (Moderator) – Deputy Director (Agritech), Enterprise Singapore

#### **Synopsis**

COVID-19 has further accelerated the worldwide process of de-globalisation ignited by the US-China trade war, with many countries imposing export restrictions on key goods amidst the pandemic. However, Singapore remains committed in ensuring trade lines stay open to

facilitate the flow of goods and essential supplies despite the crisis, while taking steps to enhance its resilience, such as aiming to improve food security by producing more food locally.

Find out more on why Free Trade Agreements (FTAs) like the recently-signed Regional Comprehensive Economic Partnership (RCEP) matter to Singapore, businesses, and you(th).

*This webinar was brought to you by the National Youth Council (NYC) and the Singapore Institute of International Affairs (SIIA).*

## What We've Learnt

### **Free Trade Agreements**

COVID-19 has further accelerated the worldwide process of de-globalisation ignited by the US-China trade war, with many countries imposing export restrictions on key goods amidst the pandemic. However, Singapore remains committed in ensuring trade lines stay open to facilitate the flow of goods and essential supplies despite the crisis, while taking steps to enhance its resilience, such as aiming to improve food security by producing more food locally.

Despite the urgent need to keep trade flows open, FTAs often take multiple years to negotiate due to two reasons. Firstly, there are many different components in official agreements, and chapters on sensitive issues like intellectual property require intense negotiation. Secondly, political changes and domestic considerations also affect trade talks. Thus, it is important to establish a baseline on what can be agreed upon and what requires further negotiations between the various countries. For example, certain countries may want to protect their industries from an influx of imported goods, due to interest groups such as labour unions pushing governments to protect local industries.

### **Benefits of FTAs**

As a small but highly connected economy, trade is the lifeblood of Singapore. Singapore needs to keep its borders open to flows of investment, trade, and foreign talent as these are critical for our survival. FTAs provide opportunities for other countries to invest in Singapore's economy and provide small-medium enterprises in Singapore with the access to larger foreign markets and growth prospects. Opening the country to foreign investment also creates new jobs for Singaporeans.

In times of economic crisis, countries instinctively look inwards rather than outwards, creating an 'us versus them' mentality. However, this would only be beneficial in the short term. For a country like Singapore, turning inward would cause harm in the long term. Singaporeans are understandably concerned with the increasing number of foreigners in Singapore's workforce, but policymakers are conscious of the need to also respect the interests of Singaporeans.

### **Benefits of the RCEP**

In 2020, Singapore joined several parties to sign the Regional Comprehensive Economic Partnership (RCEP), and became the first member state to ratify this agreement in April 2021. The RCEP is the world's largest trade deal, covering a market of 2.2 billion people. Singaporean companies will be able to access these markets with lower barriers to entry. Although Singapore already has separate FTAs with all the RCEP economies, companies can now opt to only use one single FTA rather than deal with different ones, cutting down on paperwork and lowering the cost of transactions.

Additionally, as the RCEP covers the major Northeast Asian economies of China, Japan, South Korea, the ten ASEAN countries, as well as Australia and New Zealand, it also sends a clear signal to potential investors that the Asia-Pacific is still open to trade, despite growing protectionism around the world which has been further exacerbated by the pandemic. The RCEP is also the first time the three Northeast Asian economic powerhouses have been linked in one FTA, and thus it represents a significant achievement with lots of opportunities.

### **Building stronger partnerships in ASEAN and Asia**

Given Singapore's small market size, it is important for businesses, including micro, small, and medium enterprises (MSMEs) to look beyond Singapore's shores, and FTAs can help with this internationalisation. Enterprise Singapore (ESG) and other government agencies have training programmes and schemes to support small businesses, start-ups, and entrepreneurs looking to expand. It will be increasingly important for Singaporean youths to not only learn about opportunities in the region, but also build familiarity with the countries of ASEAN and Asia, so that we can be Asia-Ready to seize these opportunities.

## **Questions Answered**

*By Mr Alvin Tan and Mr Raymond Yee*

### **In this age of globalisation (or de-globalisation), how do we ensure self-sustainability in critical goods, apart from just simply diversifying supply chains?**

As we have seen from the pandemic, it is crucial that Singapore has a plan for self-sufficiency and self-sustainability. These can be seen from two areas: (1) Singapore's vaccine production capabilities, and (2) food production.

Singapore is currently reliant on the global supply chain and global producers for vaccines, but by 2026, we will have our own end-to-end vaccine production capability. This will give Singapore the ability to carry out research and produce vaccines, not just for Singapore, but also the region and the world, which is a strategic move.

With regard to local food production, Singapore's 30 by 30 initiative aims to increase local food production to 30 per cent of Singapore's nutritional needs by 2030. The initiative is aligned with the nationwide SG Green Plan announced earlier this year, and the Emerging

Stronger Taskforce (EST) has also set up an industry Alliance for Action (AfA) to promote developments in agritech. For instance, the Singapore government is supporting efforts by tech companies to produce alternative protein products.

Singapore needs to build self-sufficiency and continue to innovate in order to both increase our resilience and remain relevant to the world.

### **Is there such a thing as resilient supply chains and what does that look like?**

This term – resilient supply chains – came about due to the global lockdowns last year, which caused disruptions in supply chains. The main issue is that the problem was not localised and companies were unprepared. In previous crises, companies were able to source from other regions when there was a localised lockdown, but the COVID-19 pandemic is global.

In recent years, the prevalent business trend has been the implementation of lean management and “just in time” supply chains for maximum efficiency. Businesses are now thinking about “just in case” alternatives in the event of possible disruptions, though this could incur greater costs. Many companies aim to use technology to enhance their supply chains.

Thus, to a certain extent, the aim is not so much a resilient supply chain but a flexible one. However, creating a flexible supply chain today is challenging as the ecosystem established continues to support previous ways of working.

### **What would happen if Singapore did not have FTAs or was not a strong proponent of free trade?**

Singapore would no longer be Singapore as we know it. If Singapore closed itself off, Singapore would shrivel and become irrelevant to the global economy, and it would collapse under its own weight as local talents seek opportunities in other countries.

If Singapore did not have FTAs or was not a strong proponent of free trade, the local economy would be less vibrant, with fewer varieties of goods and services available, which will also affect the average Singaporean consumer.

As a small country with no hinterland and very few natural resources, the ability for Singapore to grow would have been, and would be severely diminished without free trade.