STRUCTURAL REFORMS & GLOBAL COOPERATION ARE NEEDED TO BOOST ECONOMIC GROWTH

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Last month, from 3 to 5 September, business leaders from the world's top 20 economies gathered in Ankara, Turkey, for the annual Business 20 (B20) Conference to finalise their recommendations for the annual Group of 20 (G20)[1] leaders meeting in November this year. The B20 is the forum through which businesses produce policy recommendations for G20. Singapore is privileged to be part of both the B20 and G20 this year as a guest country. I was privileged to represent the interests of the Singapore business community at the B20.

One may ask, why would our businesses, local or foreign-owned, be interested in fora such as the B20 and G20? The key reason is globalisation and the increasing inter-linkages of economies around the world. Our businesses are increasingly dependent on the performance of the global economy. Collectively, the G20 economies account for about 85% of the global economy, 80% of world trade, and two-thirds of its population. These facts underline the importance of the G20 platform to enable global growth and jobs creation. The existence of the B20 reflects the key role that businesses play as one of the main drivers of growth.

The current global economic outlook is weak and uncertain. Although it has been 7 years since the global financial crisis, world economic growth has yet to recover to its pre-crisis trajectory. Jobs creation remains sluggish in many countries. This one-two punch – bolstered by recent financial volatility – is making millions of people around the world feel hopeless about the prospect of a prosperous future.

Together with the other participants of the B20, the Singapore business community does not accept this status – not least given the hardship it means for many families, communities and societies, including those in Singapore. We need to do more to ensure

[1] The G20 is the group of 20 major economies in the world. It is one of the key international fora for international economic co-operation and decision making. The members of the G20 are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union (EU).

that communities have a chance to thrive and flourish now and in the decades ahead. This will require structural reform in many countries. It will also require the sustained cooperation of governments across many countries working in collaboration with businesses and the civil societies on the following four core initiatives which, taken together, will provide a much needed boost to growth and jobs.

First, ratify the World Trade Organization's (WTO's) Trade Facilitation Agreement (TFA) by the 10th WTO Ministerial Conference in Nairobi in December 2015 or earlier.

Concluded at the WTO's 2013 Bali Ministerial Conference, the TFA will remove unnecessary delays and red-tape when moving goods across borders – factors that increase the global cost of trading internationally by about 12%. The TFA breaks new ground by allowing developing and least-developed countries to determine when they will implement the individual provisions of the Agreement based on their capacity to do so. They can also receive technical assistance to help them implement the various provisions. Taken together, the ratification of the TFA will reduce complications and costs associated with the roughly US$24 trillion of goods and services traded each year.

Right now, every member of the WTO supports the TFA. However, only half of the 108 members needed to ratify the agreement have done so[2]. Singapore ratified the TFA in June 2014. A number of Singapore's key trading partners, for example, Indonesia, India, Vietnam and Philippines have not ratified the TFA yet. The TFA will open new markets for many businesses by easing border processing and reducing customs costs, leading to increased investments and employment. The OECD estimates that the cost reduction potential of trade facilitation will reach almost 13% to 15% of trade costs for countries with low to middle income levels. The Peterson Institute for International Economics estimates that trade facilitation improvements can result in the creation of 21 million jobs globally, with developing countries gaining 18 million jobs and developed countries, 3 million jobs. We urge all governments that have not ratified the agreement to act now so that people can begin to enjoy the benefits of the TFA in 2016.

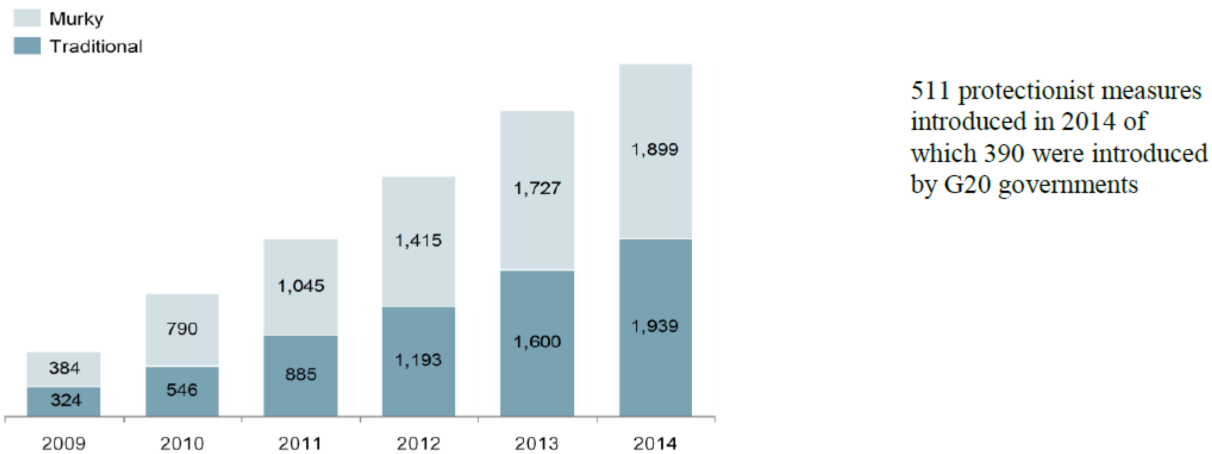
Second, commit to the roll back on protectionist measures.

Numerous reports show that many G20 governments have not adhered to their commitment made in 2008 to refrain from raising new barriers to trade and investments,

[2] Only 50 WTO members have ratified the TFA as at 24 October 2015. They are Hong Kong China, Singapore, the United States, Mauritius, Malaysia, Japan, Australia, Botswana, Trinidad and Tobago, the Republic of Korea, Nicaragua, Niger, Belize, Switzerland, Chinese Taipei, China, Liechtenstein, Lao PDR, New Zealand, Togo, Thailand, the European Union (on behalf of its 28 member states) and the former Yugoslav Republic of Macedonia. [Source: www.wto.org]

imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports. About 3,800 protectionist measures have been introduced by G20 governments since 2008. The number of such measures continues to grow. Some examples of the protectionist measures introduced recently include Indonesia's requirement for all importers of smartphones to manufacture in Indonesia or have their import licences revoked, Russia's decision to grant 15% contract price preferences to bidders of its public procurement projects that comply with local content requirements, and India's recent change in its Food Safety Regulations requiring the labelling of foodstuffs directly on packaging instead of on stickers.

Fig 1: No. of protectionist measures introduced by G20 Governments since 2008



Note: Time intervals of the original data were not matching therefore they are shifted up to 4 months
Source: WTO, Global Trade Alert, BCG analysis

Reversing all barriers introduced between 2008 and 2013 is estimated to increase global exports by at least US$460 billion, equivalent to 2.5% of current exports. This will result in an increase of US$423 billion in global GDP and 9 million jobs worldwide. This excludes the gains from reversing new measures introduced in 2014 and the significant additional benefit of withholding the introduction of any new trade barriers. We call on all global leaders to demonstrate leadership by rolling back protectionist measures and advocating broad opposition to such measures.

Third, develop country-specific infrastructure investment strategies linked to growth aspirations, and improve the infrastructure investment ecosystem to facilitate the development of infrastructure as an asset class.

Many economies require extensive infrastructure, including transportation, power, water, and telecommunications. While spending on such infrastructure totals approximately US$3 trillion annually, there is simply not enough being invested. In fact, the world is projected to face a global shortfall in infrastructure spending of US$15-20 trillion by 2030. While governments can close this gap with funding commitments, the private sector plays an essential part in financing and completing these projects.

Infrastructure investment can be a powerful way to boost growth. Governments can assist by developing clear, credible and comprehensive infrastructure project roadmaps linked to their growth plans, and improving the infrastructure investment ecosystem to facilitate the development of infrastructure as an asset class.

Infrastructure investments in our region will lead to better connectivity and regional integration. Singapore has a role to play in facilitating regional infrastructure investments as a major financial centre and as a centre of expertise in capacity building, with many companies here excelling in projects and operational management.

Fourth, redesign global small- and medium-sized enterprise (SME) policy making practice and improve SME access to financing.

SMEs are important to the world economy, as they account for 60% of the world's workforce and 50% of global GDP. The major problems faced by SMEs generally include access to international markets, finance, entrepreneurial skills and talent management, innovation ecosystems, and their ability to comply with business regulations. There is scope for a global platform that provides advocacy, advisory, and technical services for SMEs. It is with this in mind that the World SME Forum was founded by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the International Chamber of Commerce (ICC) as an independent not-for-profit organization aimed at improving the overall growth and impact of SMEs globally. The SBF welcomes and supports the establishment of the World SME Forum. We call on various governments to support the World SME Forum.

In addition, SMEs often face limited access to financing. They find it difficult to obtain financing due to a lack of reliable credit information, few alternative (non-banking) financing options, and limited tools to mitigate credit risks. Therefore, we support the creation of a new regulatory environment that improves financing alternatives (both private and public), including supply chain finance, crowdfunding and peer-to-peer finance, venture capital and private equity capital investments in SMEs, and SME asset securitization.

Taken together, these four initiatives provide a strong foundation for building stronger and more sustainable growth over time – growth that will improve the lives of people everywhere. While each initiative will be beneficial on its own, the combined impact would produce powerful synergies capable of energizing growth and dramatically increasing job opportunities across the globe.

The urgent goal now is to boost economic growth and create more jobs. Global leaders, including those from the G20, need to cooperate and take decisive action, especially in implementing structural reform, to put growth back to its pre-crisis trajectory. Singapore and Singapore businesses will stand to benefit from the global growth. We stand together with the rest of the global business community, to help implement the above agenda. We urge all leaders and public officials to join us. Together, we can build a brighter future for the communities, families, and individuals that are counting on us to lead.

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About the author

Ho Meng Kit is the Chief Executive Officer of the SBF, the apex business chamber in Singapore. The SBF has a membership of more than 21.500 companies and major trade association and chambers.