

**SPEECH BY MR LIM HNG KIANG, MINISTER FOR TRADE AND INDUSTRY, AT THE
GLOBAL TRADER SUMMIT 2007, 24 MAY 2007, 9.15 AM AT SHANGRI-LA HOTEL**

Distinguished Guests,

Ladies and Gentlemen,

Good morning.

It is my pleasure to join you at the Global Trader Summit 2007 this morning.

Importance of Offshore Trade to Singapore's Economy

Singapore is a trading nation with a long history. We have grown from an entrepot centre in our early days to a vibrant international trading hub that we are today. Trade has been and will continue to be a key pillar of the Singapore economy. The trade figures speak for themselves. Singapore is the 16th largest trading nation in the world. Our external trade is more than three times our GDP. Last year, external trade grew by 13.2%, reaching a total of S\$810 billion[1]. Physical offshore trade was also significant, amounting to more than US\$350 billion[2] in 2006.

A Vibrant International Trading Sector in Singapore

Our position today did not occur by chance. We constantly invested in developmental programmes to build up the international trading sector. One key developmental initiative is the Global Trader Programme, or GTP for short. GTP companies enjoy a concessionary tax rate on offshore trading income in qualifying products.

From 25 major international trading companies in 1989, we now have over 200 companies under the GTP based in Singapore. These include Hong Kong based Li & Fung, one of the world's leading trading and distribution firms, and Petrobras, Brazil's national oil company. The pool of

GTP companies has created significant spin-offs for Singapore, generating over S\$5 billion in local total business spending and contributing over S\$6 billion[3] in VA in 2006.

Singapore companies also have a huge presence in the trading sector. About one-quarter of the GTP companies are from Singapore. We have also seen the formation of successful local-foreign partnerships, such as Regency Steel Asia, a joint venture between Mitsui & Company and two local partners.

Capturing New Trading Opportunities

Despite the successes so far, we must not become complacent. As market trends evolve, we must be quick to identify new opportunities.

Let me share some of these new opportunities with you. Firstly, we are growing new clusters in areas such as electronics, consumer and industrial products. Companies such as Inter-Ikea, which distributes IKEA Products to regional IKEA franchisees, and Dover, which trades machinery components, have already set up operations in Singapore.

We are also interested in the traditional energy and agri-commodities clusters. Common to these two clusters is the bio-fuels industry. Singapore offers a strong value proposition to bio-fuels traders, having access to regional feedstock. Bio-X, a Dutch company, has chosen to locate its trading office here, to source for crude palm oil and by-products. The infrastructure to support the risk management needs of the industry is also being built. The Joint Asian Derivatives Exchange (JADE) will be launching its Crude Palm Oil ("CPO") futures contract next month, with physical delivery settled at Indonesian ports.

In conjunction with our plans to build a LNG terminal, we see enormous potential in LNG trading. LNG trading desks, spawned by the oil and gas majors, have started in Europe and the US, and we want to encourage the set-up of similar desks in Singapore. The key is to seed and grow a

critical mass of LNG players that will conduct LNG trades out of Singapore. Woodside, Australia's largest public oil and gas exploration and production company, is one company that has commenced LNG spot trading out of Singapore.

We also see opportunities in greenhouse gas emissions trading. To establish Singapore as Asia's emissions trading hub, we are attracting emissions trading activities, as well as supporting industries such as carbon-related consultancies, verifiers and fund managers to Singapore. With most Clean Development Mechanism or CDM projects that generate carbon credits located in Asia, Singapore is well positioned to take advantage of these opportunities. To develop Singapore as a hub for sourcing CDM projects in the region, IE Singapore has spearheaded the formation of the Greenhouse Gas Emissions Reductions Group (GHGER). Anchored by Asia Carbon, owner of Asia Carbon Exchange, this nine-member consortium will seek out CDM projects in the region.

New Initiatives to Spur Industry Development

To exploit these exciting opportunities and spur further industry development, I am pleased to announce new supporting initiatives today.

They fall into three categories:

- (i) First, specific GTP enhancements for emissions and LNG trading;
- (ii) Second, expanding the list of GTP qualifying transactions; and
- (iii) Third, the setting up of an International Trading Institute

Let me elaborate.

GTP Enhancements to Capture New Trading Opportunities in Emissions and LNG

First, we are introducing specific GTP enhancements for emissions and LNG trading. For a start, we will include emissions trading to the list of qualifying GTP trades. This means that GTP companies will be able to enjoy concessionary tax rates on income derived from emissions trading.

Leveraging on Singapore's position as an oil trading hub, we will enhance the GTP incentive, to allow a special tax rate of 5%, specifically on LNG trading income. This is applicable for 10 years with immediate effect. We recognise the immense opportunities for LNG trading, and aim to catalyse the development of LNG trading sector in Singapore through this.

Expanding the list of GTP qualifying transactions

Second, we have two enhancements that will expand the list of qualifying transactions under the Global Trader Programme.

Qualifying Chemical Plants' Output

Currently, GTP companies' trades with refineries and petrochemical complexes in Singapore are considered qualifying trades. This will now be expanded to include chemicals plants. This means that GTP companies' trades with eligible chemical manufacturing companies in Singapore, will qualify for the GTP tax concession. This will enable international traders to have better access to products manufactured by chemical plants here, and chemical manufacturers in Singapore to tap on the global market networks through our GTP companies located here.

Singapore-Resident Clearing Houses to Qualify for OTC Transactions

The other GTP enhancement concerns the use of OTC clearing houses. This is an emerging trend due to the increased volatility in global commodity markets. Transactions by GTP companies in OTC or exchange-traded commodity derivatives now enjoy concessionary tax rates, if conducted with qualifying counterparties. With immediate effect, all qualifying OTC trades conducted through a Singapore-based clearing house, SGX AsiaClear, will be included as qualifying transactions under GTP. This also applies to the Commodity Derivatives Trader (CDT) scheme.

Launch of the International Trading Institute

Third, we recognize the need to build up our knowledge, capabilities and talent pool in the international trading sector. Last year, the Singapore Management University (SMU) and IE

Singapore jointly launched the International Trading Track under SMU's existing Business Management Degree. Building on the success of this initiative, SMU, IE Singapore and their industry partners will be launching an International Trading Institute. The Institute will focus on three areas: providing training, conducting research, and offering consultancy services. More details will be revealed at the official launch of the Institute at this evening's networking dinner.

Concluding Remarks

Going forward, our goal is to further enhance Singapore's position as a premier global trading hub. We will press on with our developmental efforts to stay ahead. The initiatives launched today will contribute to those efforts.

The Global Trader Summit is a key platform to bring together industry leaders to discuss important international trading issues. I encourage all of you to make use of this platform to exchange ideas and seek out partnership opportunities. I wish all of you a fruitful and rewarding conference.

Thank you.

[1] Source: IE Singapore

[2] Source: IE Singapore

[3] Source: IE Singapore