

**SPEECH BY MR LIM HNG KIANG, MINISTER FOR TRADE AND INDUSTRY (TRADE), AT THE ICBC FORUM ON MONDAY, 19 SEPTEMBER 2016, 0925 HRS, FOUR SEASONS BALL ROOM, FOUR SEASONS HOTEL SINGAPORE**

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Chairman, Industrial and Commercial Bank of China

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Ambassador of the People's Republic of China

Mr Liew Mun Leong  
Chairman of Surbana-Jurong Group and Changi Airport Group

Distinguished Guests

Ladies and Gentlemen

Good morning.

1. It gives me great pleasure to join you today at this forum to discuss partnerships between Singapore and China in the area of infrastructure financing. This forum is timely, as more Chinese companies look to internationalise into the region,

which presents greater scope for both sides to forge more win-win partnerships.

## **Singapore and China's Strong Bilateral Relations**

2. Singapore and China's relations have always been forward-looking, innovative and pace-setting. Just two weeks ago, Prime Minister Lee Hsien Loong had a good meeting with Chinese President Xi Jinping on the sidelines of the G20 Leaders' summit in Hangzhou. Both leaders reaffirmed our long-standing bilateral cooperation and the demonstration effect of the third Government-to-Government project in Chongqing for China's "Belt and Road" Initiative.

## **Infrastructure Opportunities in ASEAN**

3. China's "Belt and Road" initiative and the Asian Infrastructure Investment Bank (AIIB) are strong reflections of China's efforts to integrate into the regional and global

economy. More Chinese companies are now expanding beyond China into South East Asia and the world. In the first half of 2016 alone, China invested about US\$7 billion<sup>1</sup> worth of non-financial Overseas Direct Investment (ODI) into over 60 countries along the “Belt and Road”. Of these, ASEAN was a key investment destination.

4. ASEAN is an important market and holds promising growth potential for infrastructure players. There are several drivers for this.

5. First, ASEAN is a growing market of 620 million people, with a projected average annual growth rate of 5.2% until 2020<sup>2</sup>. By 2025, about half of ASEAN’s population will be of middle-class status<sup>3</sup>.

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<sup>1</sup> Source: PRC Ministry of Commerce. Key investment destinations include Singapore, Indonesia, India, Malaysia, Laos and Russia.

<sup>2</sup> Source: OECD Development Centre’s Publication on “Economic Outlook for Southeast Asia, China and India 2016.

<sup>3</sup> Source: The ABRAAJ Group, ASEAN-Geographic Forces and Sector Opportunities, 2012, ISCA publication, FOCUS-ASEAN Economic Community.

6. Second, ASEAN is increasingly integrated. The establishment of the ASEAN Economic Community (AEC) in 2015 has created more business opportunities by eliminating barriers and improving market access for companies in the region. By 2030, ASEAN is estimated to become the fourth largest single market in the world, after the European Union, United States and China.

7. Third, ASEAN is fast urbanising. This will generate tremendous demand for infrastructure development. By 2030, about 65% of ASEAN's population will be living in urban areas<sup>4</sup>. A joint study by the Asian Development Bank (ADB) and the Asian Development Bank Institute (ADBI) estimated that Asia would require US\$8 trillion worth of infrastructure investments from 2010 to 2020. In ASEAN alone, an estimated US\$60 billion will be needed annually till 2022 to fulfil ASEAN's infrastructure needs<sup>5</sup>. As urban populations grow, ASEAN's

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<sup>4</sup> Source: The ABRAAJ Group, ASEAN-Geographic Forces and Sector Opportunities, 2012, ISCA publication, FOCUS-ASEAN Economic Community.

<sup>5</sup> Source: KPMG. An Overview of Infrastructure Opportunities in ASEAN.

infrastructure market holds huge potential, particularly in areas such as transport, healthcare, water and sanitation.

8. Despite strong market potential, infrastructure projects are generally perceived to be of higher risk and require long-term loan tenures. For these projects to be bankable, the region requires strong expertise in project structuring.

## **Singapore as an Infrastructure Development and Financing Hub**

9. As a leading infrastructure development and financing hub, Singapore can bridge the gap in several ways.

10. First, we offer the necessary breadth and depth of banking and capital market services. Singapore is the third largest foreign exchange market in the world. Since the appointment of **ICBC** as the Renminbi (RMB) clearing bank in Singapore in May 2013, Singapore has also become one of the world's top offshore RMB clearing centres.

11. IE Singapore’s Memoranda of Understanding (MOUs) with the **ICBC**, **Bank of China** (BOC) and **China Construction Bank** (CCB) have also set aside project financing amounts of more than S\$90 billion for Singapore-based companies to undertake infrastructure projects in third-country markets along the “Belt and Road”<sup>6</sup>.

12. The Monetary Authority of Singapore (MAS) has also been working with commercial banks to develop infrastructure as an asset class. This will help to harness more private capital to support companies’ infrastructure financing needs.

13. Second, Singapore’s project financing strengths are also complemented by a network of multilateral development banks and a vibrant ecosystem of professional services in infrastructure advisories, political risk insurance companies,

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<sup>6</sup> The project financing amount from CCB is S\$30 billion, S\$50 billion from BOC and more than S\$10 billion from ICBC.

and law firms with strong knowledge and extensive networks in ASEAN.

14. Singapore also worked closely with the World Bank Group to set up the Global Infrastructure Facility (GIF) in April 2015 to structure complex infrastructure Public-Private Partnerships. The Asia Infrastructure Centre of Excellence (AICOE), set up in collaboration with the Asian Development Bank in 2014, also helps to create a strong pipeline of bankable projects.

15. Singapore is also a founding member of the Asian Infrastructure Investment Bank (AIIB), which will help to support infrastructure development along the “Belt and Road”. There are currently more than 7,500 Chinese<sup>7</sup> companies based in Singapore. Some, like **Lenovo** and **China Minsheng Investment Corporation**, have set up regional finance and treasury centres in Singapore to finance their regional expansion.

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<sup>7</sup> Source: Department of Statistics (Data as of June 2016).

## **Chinese Companies can Partner Singapore to Tap Infrastructure Opportunities**

16. Singapore and Chinese companies can build on existing strong relationships to foster partnerships and tap infrastructure opportunities in ASEAN and beyond.

17. First, Singapore companies possess good track record and expertise across the infrastructure value chain. This includes expertise in master-planning, engineering design, procurement, construction and operations.

18. For instance, **Surbana-Jurong** recently acquired **SMEC Holdings'** infrastructure engineering design capabilities in urban transportation, energy and water in August this year. This will complement Surbana-Jurong's offerings in urban planning, township and industrial development.



19. In January this year, **Charisma Energy Services** and **Sunseap** (pronounced *Sun-Sip*) were awarded a contract to build a solar farm with a capacity of 140 megawatts in Rajasthan, India. **Hyflux**, a home-grown water company, has also won multiple desalination projects in the Middle East over the past two years.

20. Second, Singapore and Chinese companies share complementary strengths and can work together in third-country markets. For example, Singapore engineering company **ISDN** has partnered with **China Huadian Engineering**, one of China's largest power and industrial players, to develop mini-hydropower projects across Indonesia since 2014. They are now looking to extend their partnership beyond Indonesia into other Southeast Asian countries.

## **Conclusion**

21. On this note, I would like to encourage more of such fruitful partnerships between Singapore and China. I would also like to encourage more Chinese enterprises to capitalise on Singapore's reliable infrastructure support and financing ecosystem and build partnerships with Singapore companies. I wish you a fruitful forum ahead.

22. Thank you.