

# Media Coverage

## Infrastructure the key for Singapore in ASEAN's second 50 years

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Singapore's future prosperity depends heavily on the international channels that it builds and the international partnerships that it nurtures. And infrastructure will be key to both of these.

As Asean turns 50 and Singapore 52, it is a good time to reflect on whether Singapore's good run and role within Asean will continue.

Whatever one's view of the first question, it seems a fairly moot point because Singapore is clearly not leaving its future to chance.

Earlier this year, Singapore's Committee on the Future Economy identified several themes and initiatives necessary for its continued prosperity.

Perhaps predictably, most of these initiatives were aimed at improving Singapore's international connectivity, especially within ASEAN.

What may be not be as intuitive, though, is how much international connectivity (commerce and relationships) is determined by the further development of its physical, digital and financial infrastructure investment.

Inroads into infrastructure improvement can already be seen.

Singapore seeks to retain trade openness through the expansion of Changi Airport's terminals 4 and 5, and the Tuas port which will double its air and shipping freight capacity.

In the years ahead, the Kuala Lumpur High Speed Railway will connect Singapore through the South-east Asian peninsula to China.

But trade's future is not just in physical goods. Consumers have shifted from material items like compact discs to streaming content and from board games to cell phone apps.

Singapore recognises the commercial impact of the digital revolution which is why it has committed US\$1.7 billion of investment in Smart Nation and Fintech initiatives.

Ask any coach and they will say to play to your strengths, and for Singapore, that is finance.

Strides have been made to make its capital markets more attractive for foreign investors through the introduction of initiatives like the Asian Bond Grant scheme where qualifying Asian issuers will receive 50 percent off certain related expenses.

Efforts are being made to further also establish its credentials in sustainable financing, most notably through the recent launch of green bonds by DBS and Rural Electrification Corporation.

Infrastructure will not just be an international conduit for Singapore but a relationship builder too.

Specifically, the infrastructure development story happening across South East Asia will be a nexus for China and Singapore coming closer together.

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Stronger ASEAN trade connectivity is important for both China and Singapore.

ASEAN is currently China's largest supply chain source, and a future destination of end exports as more of its 625 million inhabitants move towards middle class.

Similarly, Singapore is involved in 31 percent of intra-ASEAN trade, and 25 percent of its world trade comes from ASEAN countries.

But ASEAN's trade and productivity growth potential will only be delivered through improved infrastructure.

Despite the desperate need, HSBC estimates that US\$2.1 trillion of infrastructure is required across the Asean-6 countries but current spending trends will cover only US\$910 million.

With relations between China and Singapore warming, the roles they can play in securing the financing for ASEAN's infrastructure can further their partnership.

China's commitment to ASEAN, through its Belt and Road Initiative (BRI), currently stands at US\$77 billion.

While obviously significant, there is still ample need for private investment to come from elsewhere.

About two-thirds of the project financing arranging for ASEAN already comes out Singapore so the city state's bona fides for why it should be the financing conduit of BRI-led infrastructural projects are well established.

While it is clear how infrastructure will deliver long-term benefits for Singapore, it is also an economic kicker for several of its domestic sectors in the short-term too.

To ignite the economy, the government is doubling infrastructure spending over the next five years, to US\$22 billion including the fast-tracking of US\$510 million worth of projects in 2017 and 2018.

This will obviously present immediate commercial opportunities for both local and international companies in engineering and construction.

It will also produce downstream opportunities for maintenance, businesses services sectors, and trigger further residential and commercial construction around the new infrastructure.

Impressively, we are seeing our local and international clients organise themselves around these opportunities including aligning with larger consortiums' tenders.

Even more impressive is that a lot of the existing activity is now seeping into the economy. Over the past four quarters, commercial and infrastructure construction sectors have broadly seen 6 percent year-on-year growth.

Like any other country, Singapore wants to secure its future. What sets it apart is its ability to deliver on its vision.

The creation of world class physical, digital and financial infrastructure will be the lodestar for Singapore's international connectivity and future success and prosperity. And the wheels are already in motion, literally.

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