THE STRAITS TIMES

Asia report

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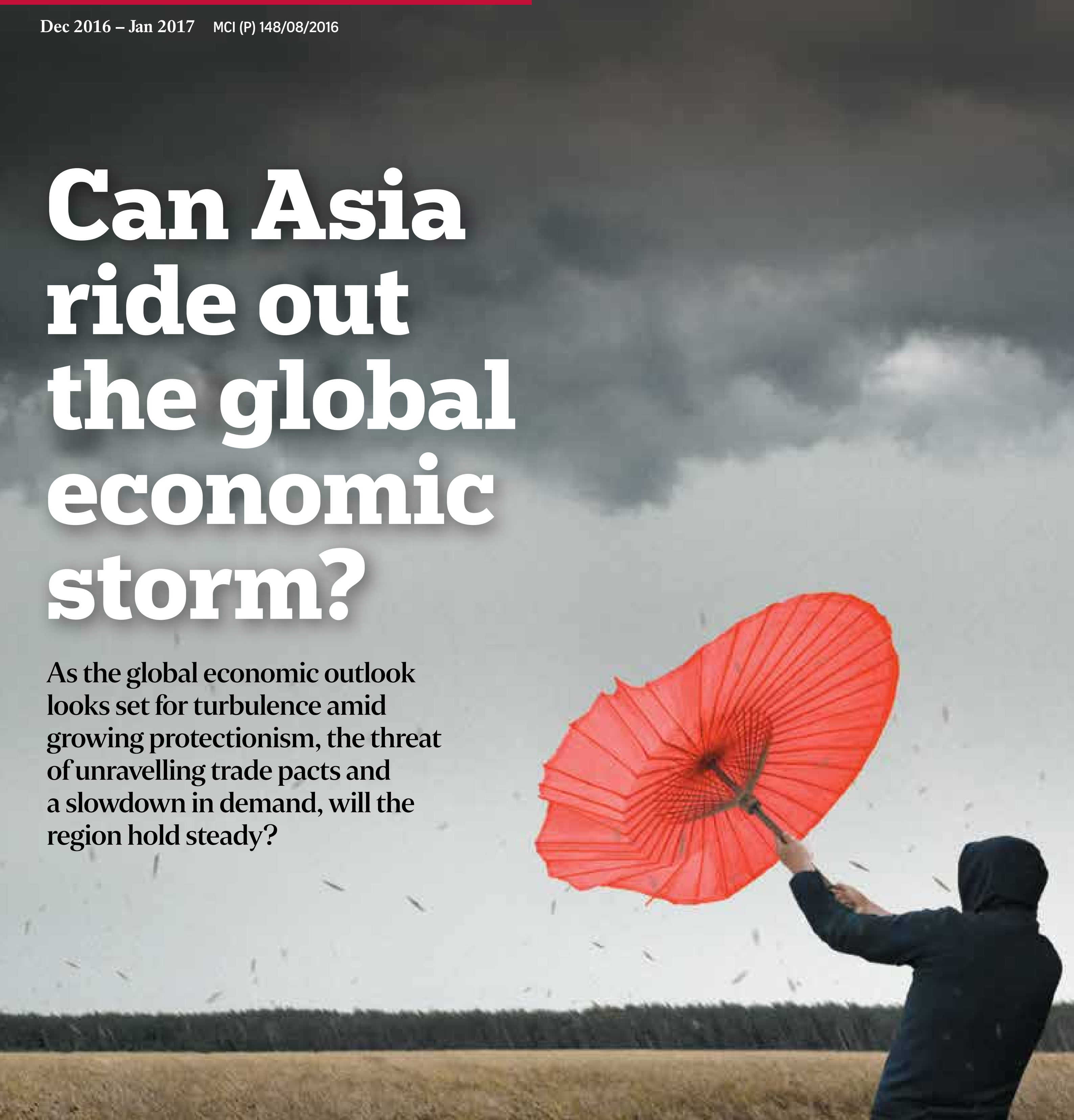
- Challenges for the new US leader
- Will Xi seek another term?
- Coming disruptions in 2017

Dec 2016 – Jan 2017 MCI (P) 148/08/2016



Can Asia ride out the global economic storm?

As the global economic outlook looks set for turbulence amid growing protectionism, the threat of unravelling trade pacts and a slowdown in demand, will the region hold steady?

You need to know Asia. We do.

Dear readers,

Like people around the world, Asia has been reeling from the shock of recent events around the world, and pondering what the future might bring.

From Brexit to the "whitelash" in the United States and the seeming pivot to Beijing among some in South-east Asia, 2016 has brought some unexpected political turning points.

The implications of these events are likely to be with us well into 2017, and beyond.

We, at The Straits Times, have been covering developments in Singapore and around Asia since 1845. Our network of correspondents and contributors provides insights and an insider's view of these events.

Our ST Asia Report is a regular publication which compiles some of their recent output and showcases some of their work, which is also available online at www.straitstimes.com

This publication is being distributed in many countries and a PDF version is available online to subscribers of The Straits Times as well.

In this issue, you will find:

- A report on challenges facing the new US President by our Global Affairs commentator Ravi Velloor;
- An insight into Chinese President Xi Jinping's bid to consolidate power by our East Asia editor Goh Sui Noi;
- Articles by some of our regular contributors, such as Professor Tommy Koh, Mr Ian Bremmer and Mr Jonathan Eyal;
- A quick look ahead to some of the major events in 2017.

The ST Asia Report is part of our ongoing commitment to meet our readers' information needs in this ever-changing world.

We hope you will enjoy this publication and will return to our products often, simply because: You need to know about Asia. We do.

Best regards

Warren Fernandez
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SPH's English/Malay/Tamil Media Group
& Editor, The Straits Times

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Contents

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Editor, ST Asia Report

Can Asia ride out the global economic storm?

Asia is facing a storm of uncertainties in the coming year.

The rise in protectionist sentiment, most notably in the United States, and a slump in demand for finished goods and minerals do not bode well for Chinese, Japanese, Indian and South Korean businesses. Companies in other regional economies that have become more closely integrated into the global value chain also face higher risk.

Uncertainty over what measures US President-elect Donald Trump will introduce once he enters the White House in January is a major area of concern.

Then there are British Prime Minister Theresa May's efforts to activate Britain's exit from the European Union after June's Brexit vote.

Markets anxiously await the terms on which Britain is able to negotiate its exit – with a court case complicating things.

All that aside, limping Asian economies had been witnessing early signs of steady growth, having persevered with structural reforms, opening up of their economies for trade and foreign investments, and anti-corruption crusades.

Some economists are optimistic that the region will hold steady but others say the unpredictability will push the region towards an extended period of wait-and-see.

"There are certainly challenges in the global environment," said Mr Manu Bhaskaran, chief executive officer of economic research consultancy Centennial Asia Advisors.

"Asian economies have weathered them before so there is no reason why they won't ride through these new challenges," he told The Straits Times Asia Report magazine.

The defining theme for the coming year for Asia will be how US economic policy shapes up.

"This will be a huge source of uncertainty and anxiety," he said.

Key areas of focus will be Mr Trump's policies on trade and fiscal issues – and what the US Federal Reserve does on interest rates, he said.

Other major questions: How will China's economy perform? And will global corporations overcome their hesitation to grow capital spending?

PHOTO ILLUSTRATION: CHNG CHOON HIONG **PHOTO:** ISTOCKPHOTO

"This hesitation has been a major drag on world trade," he said.

Overall, the Manila-based Asian Development Bank (ADB) expects this region to hold steady with a growth rate of 5.7 per cent in 2017, though its economists are quick to note that an "extra fragile" external environment could derail all that.

The uncertainties

Most Asian markets went into a tizzy as Mr Trump's victory became clear, partly on concerns that his plans to boost government spending would push up interest rates and lead to capital outflows.

Markets have recovered since but there is likely to be volatility ahead.

China worries about punitive tariffs – perhaps up to 45 per cent – on goods entering the US if Mr Trump keeps an election pledge though observers say he will be more pragmatic in dealing with Beijing.

Another setback is that the Trans-Pacific Partnership – a huge trade deal – already appears doomed as it will not go to Congress for ratification in President Barack Obama's lame-duck period – and Mr Trump has vowed to oppose it.

Politico news website reports a transition team document that cites various proposals to be taken up in the first 100 days of the Trump presidency.

These include:
- Labelling China a currency manipulator;
- Withdrawing from the North American Free Trade Agreement; and
- Examining all major proposed foreign acquisitions of US companies to ensure equal opportunities for Americans abroad.

Mr Trump may not implement all these plans but observers will wait to see who fills his Cabinet and subsequent announcements.

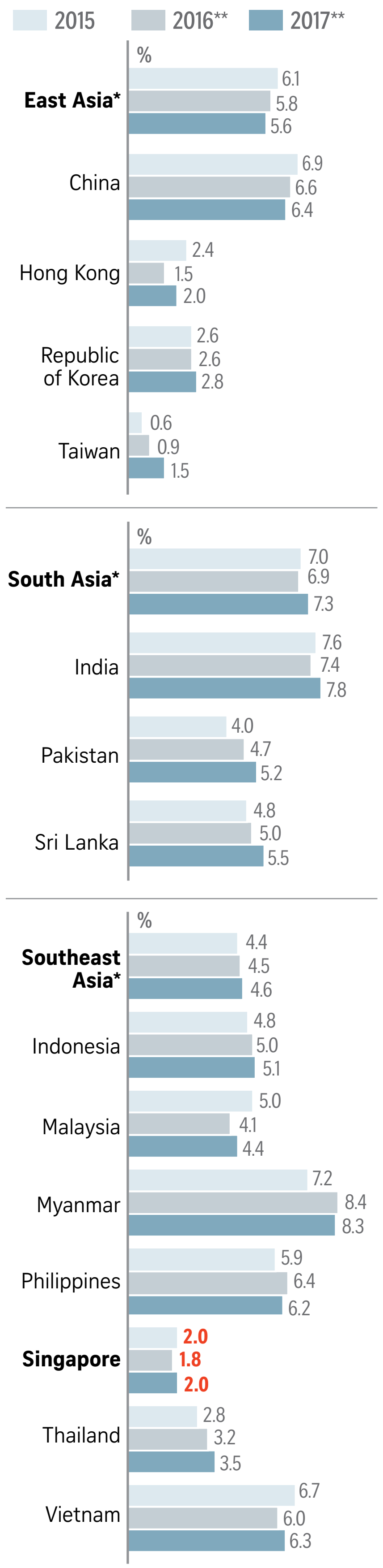
From December, the winds of global economic uncertainty will blow over to Britain where the Supreme Court will hear an appeal by Mrs May's administration against a ruling by the High Court in November requiring her government to seek parliamentary approval to activate Brexit.

While the Supreme Court's decision may be known in the coming weeks, it is unlikely to end the uncertainty over Brexit.

Already, the EU has trimmed its forecast for euro-zone growth in 2017 to 1.5 per cent, citing the challenges of Brexit and rising inequality. The forecast for Britain was halved, owing to the uncertainty over the Brexit vote. Growth in Britain will fall to 1 per cent from 1.9 per cent in 2016, the European Commission said.

Outlook for Asian countries

(GDP growth % per year)



NOTE: *Data for all countries in the group, **Projections for the year

Source: ASIAN DEVELOPMENT BANK
STRAITS TIMES GRAPHICS

"The longer the saga continues, the longer the associated uncertainty will be priced into equities and currencies, dampening corporate investment and damaging the European economy as a whole," wrote financial observer Anthony Fensom in The National Interest, a US publication.

And this comes as France, Germany and the Netherlands prepare for elections in 2017, amid the emergence of far-right candidates pushing for protectionist policies.

"The serious risk is growing protectionism," said Dr Juzhong Zhuang, deputy chief economist at ADB. "This could further impact on exports of many countries in Asia, which are already weak," he told this magazine.

Global demand growth, meanwhile, is showing a delayed recovery. The pace in the US, the euro area and Japan in 2016 led the ADB to lower its aggregate growth forecast by 0.4 percentage point to 1.4 per cent for 2016. The bank expects this to be marginally better at 1.8 per cent in 2017.

Stratfor, a global US-based intelligence firm, noted: "The global recovery has been anaemic and looks poised to stay that way for some time, thanks to low investment, weak innovation and inauspicious demographic trends."

Regional outlook

Experts feel confident Asia is not headed for another financial crisis.

Regional economies are much stronger now and can withstand shocks better, economists and regional observers agree.

Having focused on lifting domestic consumption and structural reforms, they offer relative stability for their people and businesses, compared with decades ago. They are creating millions of jobs, though this will not be adequate to raise income levels for the masses and alleviate poverty. A rise in private and household debt remains a matter of concern.

Overall, there is concern that China's slowing pace of growth will hurt growth for other regional economies; optimism over markets such as India, Indonesia and the Philippines; and hope that the remaining economies will show great flexibility to weather any likely shocks and turnaround. (See chart).

"The prospects for Asia have always been good," Mr Andrew Sheng, President of Hong Kong based Fung Global Institute, told this magazine. "We simply need to get it into our mindset that if we are now the manufacturer to the world, we have the savings and the middle class to generate our own consumption models. This is beginning to happen as China swings from exporter to consumer. India will follow soon. Indonesia is also a major market."

China is expected to continue its gradual transition to slower, sustainable growth, from 6.6 per cent in 2016 to 6.4 per cent in 2017 and 6.3 per cent in 2018, the ADB said.

"What we are seeing in China is managed growth deceleration," said Dr Zhuang. "This reflects structural reform to reorient the economy to a more sustainable growth path."

South Asia is emerging as a bright spot, driven by India, with its growth set to expand from 6.9 per cent in 2016 to 7.3 per cent in 2017.

India, under Prime Minister Narendra Modi, eased foreign direct investment rules further in June, seeking to create more jobs in the retail, defence and civil aviation sectors. The nation launched a residency programme to encourage investors to stay longer. Mr Modi's recent move against tax evasion and graft by cancelling more than three-quarters of banknotes has reinforced his government's commitment to reforms, although the list of issues to be addressed remains long – with labour reforms at the top.

The economies of South-east Asia may face more turbulence, given their increased focus on trade, but a sharp downturn is not expected. South-east Asian economies "will see growth edge up to 4.5 per cent on the back of robust government infrastructure investment, supported by strong performances from the Philippines and Thailand", said the ADB. (See story on Singapore on page 7).

The big worry remains the state of globalisation, given that many regional economies benefited from the process. Many which built their financial security on trade beyond domestic borders will find it a struggle to cope with the decline of globalisation. Many are small-scale entrepreneurs unable to survive tough times.

Medium to longer-term investors, meanwhile, will wait to see America's moves and whether regional economies step up to strengthen regional cooperation agreements.

If, as expected, Mr Trump decides to ditch the TPP, analysts expect a boost for the Regional Comprehensive Economic Partnership, which includes the 10 member states of Asean and six countries with which Asean has existing free trade agreements – Australia, China, India, Japan, New Zealand and South Korea.

Risks to regional outlook:

- Slow recovery in US, Euro area, Japan
- Interest rate hikes by the US Federal Reserve
- Political pressures against openness
- Moves towards United Kingdom's exit from the European Union
- Private debt on the rise
- Natural disasters

"The situation is a bit like Syria right now," said a banker, who did not wish to be quoted. "We don't know if there will be a power vacuum on the economic front in Asia and which of the other players will fill that spot."

Mr Bhaskaran, however, believed it could well be otherwise.

"Headwinds to global trade and protectionism have already been growing since the 2008 crisis broke.

"The new American administration seems uneasy with the degree of trade openness America has maintained and may well add more trade-related measures, particularly against economies which run large surpluses with the US.

"However, the cold calculation of self-interest suggests that the new administration will not go too far since the US has gained much from world trade," he said.

He agreed that if the Fed decides to step up the pace of normalising monetary policy, it will lead to capital outflows, pressure on currencies and other stresses.

But he said Asian countries have weathered several such episodes of stresses quite well, from the May 2013 "taper tantrums" to the August 2015 turbulence over Chinese currency policy and the volatility earlier in 2016 caused first by concerns over China's slowdown and later by Brexit.

"Asian economies have become more resilient over time," he said.

So is it the calm before a storm?

Or, is it the calm that will blow over the storm?

We'll have to wait and see.

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Ravi Velloor
Associate Editor, The Straits Times

World economy: Will it worsen before it gets better?

Five key worries have emerged to crimp global growth. And the big worry is that advanced nations are poised to slow and some may fall into recession.

A year ago when International Monetary Fund (IMF) chief economist Maurice Obstfeld arrived at the institution, three big worries loomed. The first was whether China, the No. 2 economy, would succeed in rebalancing its economy. The others were: the struggles of commodity exporters suffering steep falls in demand, and the US Federal Reserve's first liftoff in interest rates.

These days, to all of the above – the Fed is widely believed to be poised for a second lift in rates – add two more.

One is a persistent slowdown in the growth of trade relative to gross domestic product and deflationary pressures. The other, political uncertainties are rising across the globe and that's bad news for the world economy.

ST ILLUSTRATION: MIEL

These factors led the IMF to yet again cut 2016's growth forecast for the global economy to just 3.1 per cent in the World Economic Outlook published early October. That's lower than the forecast it offered a year ago, which was revised only this April to 3.2 per cent growth – considered lower than "moderate" expansion.

Things, clearly, are slipping. Should the world economy expand any slower it would begin to feel like a recession.

"On the political front, conditions have moved to the downside," says Mr Obstfeld. "A year ago, we did not expect Brexit to happen. Beyond that, there is a continuation and intensification of negative political developments. There is a backlash against globalisation that holds out negative prospects for not only igniting trade growth, but actually, (the likelihood of) an increase in protectionist measures in the coming years."

It is a scary prospect, especially for trade-dependent economies such as Singapore and Malaysia, not to speak of the bigger economies in the region such as South Korea and Japan. A slowdown in trade, caused mainly by poor demand from China and its proclivity to have more done at home, has already begun to show on their economic graphs – see how Singapore's economy has gone into a funk (see other story).

But more is to come. The message emerging from the United States presidential campaign is not at all reassuring, even if some of it is related to the heat of election rhetoric. Indeed, some of the promised initiatives meant to boost trade, whether the Asia-related Trans-Pacific Partnership or even European-linked pacts such as the Transatlantic Trade and Investment Partnership (TTIP), seem to be at risk.

In the East Asian region, things are even less reassuring. Although China seems to have arrested the growth slowdown, its struggles with its economic rebalancing look set to continue for many years, with the fear that things may worsen. One worry is that the debt pile-up has now begun to affect a sector hitherto considered fairly healthy – real estate lending – as Beijing frantically tries every gas pedal it has at its disposal to keep driving growth.

The IMF has cut 2016's growth forecast for the global economy to just 3.1 per cent. That's lower than the forecast it offered a year ago, which was revised only this April to 3.2 per cent – considered lower than "moderate" expansion. Add to this a growing backlash against globalisation and the outlook for world trade is murky. **PHOTO:** REUTERS

Besides, China's reluctance to countenance bad debts in its banking system – its lenders offer borrowers some of the easiest refinancing options in order to stop them from announcing soured loans – only means that the can is being kicked down the road.

CAN INDIA PROVIDE A BOOST?

The IMF identifies India, Asia's No. 3 economy and the world's second-largest nation by population, as an Asian growth spot. But to many, that's an illusion as well.

For one thing, like China, India is bent on lengthening its domestic supply chain. This is the reason it is pushing initiatives such as Make In India. Worse, rather than opening its markets, it may be actually pruning access to them. By some estimates, Prime Minister Narendra Modi's government, which carries a profile of being progressive and pro-business, has imposed no fewer than 500 protectionist measures since taking office in May 2014.

India is bent on lengthening its domestic supply chain, hence initiatives such as Make In India. But instead of opening its markets, it appears to be pruning access to them. **PHOTO:** IANS

Mr Ruchir Sharma, head of emerging markets for the Wall Street firm Morgan Stanley, identifies four broad trends that are affecting the global economy: depopulation, deglobalisation, debt that is spiralling out of control and de-democratisation.

Mr Sharma, who has acquired the status of something of an oracle since the publication of two best-selling books on the global economy, puts the population issue at the top of the list.

"We grew up thinking the biggest threat was far too many people," he says. "Today, the problem is far too little. Demographic trends have become a headwind from what used to be a tailwind."

In China, he points out, the working-age population actually shrank in 2015. In India, fertility rates have dropped dramatically. Mr Sharma thinks the current malaise has nothing to do with the lingering effects of the global financial crisis, and more to do with population growth and productivity.

In Japan, he says, trend growth cannot be more than half a percentage point simply because of the pace at which its population is ageing.

SHUTTERS ARE GOING UP

As the IMF pointed out in its report in October, the other worrying trend is deglobalisation. For nearly four decades, as money and goods flowed from every corner of the earth to the other, the world had begun to assume this was something to be taken for granted. However, after peaking in 2008, around the time the global financial crisis hit home, global trade started to decline as a share of gross domestic product.

With that has come a backlash against immigration, most dramatically manifested in the dramatic results this June of the British referendum on leaving the European Union. Mr Barry Desker, the Singapore diplomat and former head of the trade promotion body, warned recently (see next story) that the era of globalisation may be drawing to a close, "akin to the shift that took place at the start of the 20th century, when World War I ended a time of open trade and protectionist policies came to the fore during the Great Depression".

Alongside has come a drop in the popularity of political leaders and their perceived legitimacy. Ironically, only those leaders who whip up nationalism are bucking this trend, notes Mr Sharma.

To be sure, there are bright spots on the Asian horizon: The Philippines, Vietnam and Indonesia are among the notables in South-east Asia that are doing well. South Asian nations, generally, are not doing badly either, including Pakistan.

But these countries do not have enough ballast to lift regional boats. And the Philippines, under President Rodrigo Duterte, is making foreign-policy shifts that may well impact the economic upswing it is currently enjoying.

A CASE OF MUDDLING THROUGH

Still, these are minnows when it comes to powering global growth. The big worry, according to some analysts, is that advanced nations are poised to slow, and some may fall into recession.

Fitch Ratings, for instance, recently cut its projection for 2016's US growth to 1.4 per cent, from 1.8 per cent three months ago. Meanwhile, euro-zone growth may have peaked earlier in 2016.

"The outlook for the advanced countries is best described as a low-growth, muddle-through path," says Fitch chief economist Brian Coulton. "Advanced-country growth over 2016 to 2018 will be hardly any better than the lacklustre 1.5 per cent average growth rate seen over 2011 to 2015. Moreover, downside risks to advanced-country growth have increased."

Although the US labour market has tightened and the Fed may feel confident enough to raise rates at year end – one more reason money may still leave China in large doses – some think the No. 1 economy, too, may have a recession on its hands before long.

A recent survey by the Wall Street Journal showed the odds of the next economic downturn happening in the next four years to be 60 per cent. That's because the current expansion, though sluggish in comparison to previous growth periods, has run for an unusually long 88 months.

But the US Fed may probably be the only central bank looking to tighten policy. The big worry, really, is that central banks elsewhere may not have the solutions to kick up global growth this time, many having cut rates to deep lows already.

That won't stop them from trying to stimulate growth, of course. The European Central Bank, for instance, is expected to continue its asset-purchase programme – quantitative easing, essentially – beyond the March 2017 date that it is scheduled to end. Meanwhile, the new monetary policy approach of the Bank of Japan looks like it will take the policy rate deeper into negative territory.

But how long can you keep the gas pedal pressed to the floor without causing massive economic distortions, is the question.

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The slowing Singapore economy

Chia Yan Min
Economics Correspondent,
The Straits Times

Singapore's small, trade-dependent economy is under the weather – and likely to remain so for some time.

While the country has not yet sunk into a full-blown recession, its fortunes are tied closely to those of the world economy and the outlook there is far from cheery.

The Straits Times looks at four key contributors to slowing growth in Singapore.

LACKLUSTRE GLOBAL GROWTH

The world economy continues to lack a strong growth driver. There are more speed bumps ahead, especially on the geopolitical front.

Most prominent are uncertainties over the outlook for US foreign policy and trade relations under President-elect Donald Trump, who outlined an isolationist agenda during his campaign.

PROTRACTED OIL PRICE SLUMP

PHOTO: BLOOMBERG

World oil prices had been fairly stable from 2010 until mid-2014, at around US$110 a barrel. Since then, they have almost halved.

Companies in Singapore have not been spared the effects of this protracted downturn. Tens of thousands of jobs have been axed and some companies have defaulted on bond payments – sparking concerns over banks' exposure to the sector.

CIMB Private Bank economist Song Seng Wun says: "There eventually will be a cyclical upturn, it's just a question of when, and whether companies have the stability to ride through this current phase."

SHIFTING TRADE FLOWS

International trade has fallen to its lowest level since 2009, alongside lacklustre economic growth.

But some economists say the slowdown is not merely cyclical, and lower levels of global trade might become the new normal.

This is because growth in developed economies like the United States is increasingly driven by services rather than the trade in goods.

Chinese companies are increasingly sourcing from within the country, instead of importing.

This trend could weigh on regional trade even in the long run – a gloomy prospect for Singapore.

DISRUPTIVE CHANGE

Technology has transformed almost every industry – from food delivery to manufacturing.

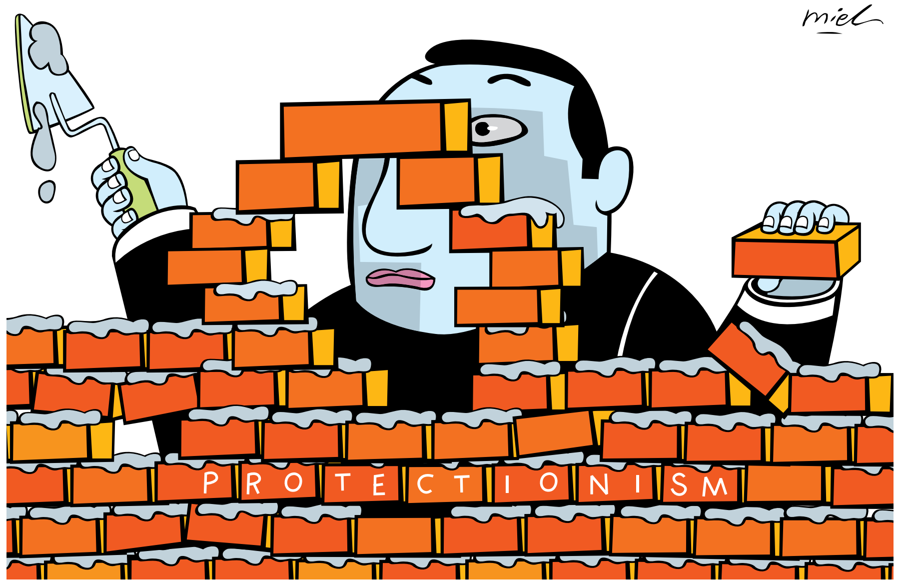
There is no easy solution to this – the ever-increasing pace of technological change means jobs will more or less be in a constant state of flux.

For now, all eyes are on the Committee on the Future Economy's report due out next January, which will map out a blueprint for Singapore's economic future. ❑

Barry Desker
For The Straits Times

The worrying rise in trade protectionism

As protectionist sentiments gain ground, countries are losing sight of how trade flows have transformed the world for the better



ST ILLUSTRATION: **MIEL**

In America and Britain, inward-looking protectionist policies draw growing support. With that, an era of globalisation may be drawing to a close, akin to the shift that took place at the start of the 20th century when World War I ended a time of open trade, and protectionist policies came to the fore during the Great Depression of the 1930s.

PROTECTIONIST SENTIMENT

United States President-elect Donald Trump has attacked the proposals for trade and investment liberalisation in the Trans-Pacific Partnership (TPP) signed by 12 states. He is also against current negotiations between the US and European Union for the Transatlantic Trade and Investment Partnership (TTIP).

The strong reactions in the American Mid-West to the loss of manufacturing jobs, the fear among the non-college educated about competition from immigrants, worries about rising emerging powers like China and the belief among white Americans that they were no longer in control of their own destiny propelled Trump to the presidency. These fears outweighed the benefits to America's services sector, especially in tech-savvy Silicon Valley, Manhattan's finance sector and those cities that are home to American companies with global value chains that have enjoyed rapid growth in recent years.

This "pushback" was also seen in the Brexit vote in June. With concerns in Britain over immigration trumping the desire to retain access to the European single market, Britain looks set for a hard Brexit. The growing uneasiness over immigration and the resettlement of refugees is also having a toxic impact on politics within the EU. German Chancellor Angela Merkel has been forced to retreat from her open-door policy towards refugees.

Even in Singapore, which has benefited from open markets as an entrepot, is an immigrant society and has an ageing population with a declining birth rate, there is resentment of new immigrants and foreign workers. They are seen as competing for jobs, causing overcrowding and reducing opportunities for locals. This has forced a cutback in the employment of foreigners and the setting of more modest targets for GDP growth. Surprisingly, for an economy whose trade is three times its GDP and which has benefited from market-opening measures, at campaign rallies during the general election in 2015, the opposition Singapore Democratic Party rejected the TPP and criticised free-trade agreements, such as the India-Singapore Comprehensive Economic Cooperation Agreement (CECA), for leading to an influx of foreign workers, a view frequently articulated on social media.

EAST ASIA'S TRANSFORMATION

Over the past 30 years, merchandise and services trade has increased by about 7 per cent annually on average, with the growth in services playing a larger role. World trade increased twice as fast as world production. Particularly significant was the shift away from autarchic policies by China, India and many developing countries, which moved away from policies of the 1970s and 1980s promoting self-sufficiency, protection of infant industries, nationalisation of the industrial and commodities sectors and the promotion of state-owned enterprises.

According to the World Trade Organisation (WTO), exports of developing countries have grown fastest since the 1990s. While developing countries accounted for 34 per cent of world exports in 1980, by 2015, their share had risen to 43 per cent. China's share of world exports grew from 1 per cent in 1980 to 14 per cent in 2015. The US, Japan and the EU recorded declining shares of world exports. An interesting and often overlooked aspect is that trade between developing countries has increased significantly. The share of such "South-South" trade increased from 8 per cent in 1980 to almost 25 per cent in 2015.

The rapid economic growth in this period also reflected the impact of international supply chains. The importance of logistics and efficient supply chains meant that companies such as Hong Kong's Li & Fung, which managed the entire supply chain for global brands, earned US$4 for every US$1 earned by original equipment manufacturers. Similarly, branded luxury goods companies in the US and the EU increased their earnings by outsourcing production to manufacturers in a range of emerging economies.

In East Asia, the rise of distributed manufacturing resulted in the growth of electronics as well as the textiles and garments industries throughout the region.

These industries were the key to the initial economic transformation of the region. Beginning with simple "screwdriver" electronics assembly operations, manufacturers in the region upgraded their skills and capabilities over time, with simpler assembly operations moving to other parts of the region. While domestic manufacturers were significant, especially in South Korea and Taiwan, openness to foreign ownership facilitated the entry of multinational corporations (MNCs) into the region.

In textile and garment manufacturing, the existence of quotas in the US, the EU and other developed countries up to the beginning of 2005 resulted in Singapore, Taiwan and Hong Kong retaining significant manufacturing capabilities, even though their labour costs had risen significantly. WTO agreements protected their exporters from competition by lower-cost producers such as Bangladesh, Vietnam and Indonesia that were latecomers to manufacturing textiles and clothing for export.

At the same time, East Asian exports were supported by the rapid upgrading of infrastructure. World-class airports, ports and highways were constructed. State-of-the-art telecommunications and IT infrastructure were built while schools and universities aspired to reach the standards set by leading institutions in their fields. As latecomers, they benefited from the innovations that had taken place in the developed countries.

By contrast, the US faced the challenge of creaky legacy infrastructure in a period where there was a push for lower taxes and smaller government, leaving the state and federal authorities with a reduced capacity to implement major infrastructure projects.

East Asia has been a major beneficiary of open global markets. Today, China has emerged as the world's leading exporter and has the capability to participate in the entire manufacturing value chain, from simple assembly tasks to sophisticated skills and research-based innovative solutions. The newly industrialised economies of South Korea, Taiwan, Hong Kong and Singapore have been followed by Malaysia, Thailand, Vietnam and Indonesia. After being a laggard for three decades, the Philippine economy has performed well in recent years and recorded the highest growth rate of 6.9 per cent in Asean in the first six months of 2016.

> The losers in international trade are upset that high-paying jobs requiring minimal skills have now moved to distant shores where the same product can be manufactured at a much lower cost.

'PUSHBACK' IN U.S., EUROPE

Such trends, which have been replicated in Mexico, Brazil and elsewhere in developing countries, have resulted in the "pushback" seen in the American election and the British referendum. The losers in international trade are upset that high-paying jobs requiring minimal skills have now moved to distant shores where the same product can be manufactured at a much lower cost. Mr Trump has won support in the Rust Belt by claiming that he will "Make America Great Again" by raising tariffs and bringing back manufacturing to the American heartland.

It has also had an impact on European politics. Chancellor Merkel has stressed that the EU accounts for 7 per cent of global population, 25 per cent of world production and 50 per cent of social services. Such levels of social services are not sustainable. But democratically elected governments in the EU face pressures for the continued provision of social services as well as demands for increased benefits such as free university tuition and inflation-linked pensions in countries where such benefits are not provided.

The risk of rising trade protectionism has increased. The failure of the Doha Round has highlighted the impasse in global trade negotiations. Trade negotiators emphasise that agreements can only be reached through such negotiating rounds where "nothing is agreed, until everything is agreed". With the admission of Afghanistan in July 2016, there are now 164 WTO members. Many have no significant role in international trade. With every member having a veto, it is impossible to reach agreement.

The problem is compounded by developing countries that see the WTO as a social welfare agency. As for developed countries, many push the envelope in seeking "behind the border" agreements on issues like the environment, labour standards, intellectual property, competition policy and state-owned enterprises, which have an impact on domestic governance and are contested by developing countries.

That has led to a flight to bilateral and regional preferential trading arrangements, often mistakenly termed "free trade agreements". However, these agreements have generally had minimal impact in expanding trade and have often been dominated by political considerations.

While the TPP is intrusive, it has the potential to increase regional trade, although it is unlikely that the US will obtain ratification by its Senate before the inauguration of the new president.

By contrast, the current negotiations among the 10 members of Asean and six partner countries (Australia, New Zealand, China, Japan, South Korea and India) for a Regional Comprehensive Economic Partnership (RCEP) have stalled. RCEP is likely to codify existing agreements reached on a bilateral basis but it is unlikely to achieve major breakthroughs in expanding regional trade.

Like the TPP, it runs the risk of being politically unpopular as the mood turns away from open markets and freer trade.

The writer is a distinguished fellow at the S. Rajaratnam School of International Studies, Nanyang Technological University. ❑

Ian Bremmer
For The Straits Times

Global Politics: Brace yourselves for seismic shift

It's done. Mr Donald Trump is now officially on track to become, at least on paper, the most powerful person in the world. That has plenty of people worried, both at home and abroad.

It's no secret that the vast array of challenges awaiting the new US president is formidable. By any measure, Mr Trump will be the most unpopular person ever to be elected US president.

Rather than trying to reach out to those Americans who viscerally dislike him, he doubled down on the white, disenfranchised vote that got him the Republican nomination in the first place and rode their support to the White House. For the next four years, Mr Trump will be hounded by people who find his mere presence in the Oval Office anathema to what they believe America stands for. To be fair, Mrs Hillary Clinton would be facing a similarly divided and impassioned electorate, perhaps without a sympathetic Congress backing her.

But the predictable Mrs Clinton would have been a stabilising force on the global stage; Mr Trump is anything but that. This has allies on edge – Mr Trump has promised to backtrack on security pledges, openly and fiercely questioned America's membership in Nato, and made trade protectionism the backbone of his campaign pitch to the American people.

It's hard to separate the genuine from the bluster, but if Mr Trump managed to implement even a quarter of the things he's suggested over the course of the last 18 months, it would be the most seismic shift in global politics since the fall of the Soviet Union. And this is before we get to Muslim bans and building walls, which will inevitably provoke responses from abroad.

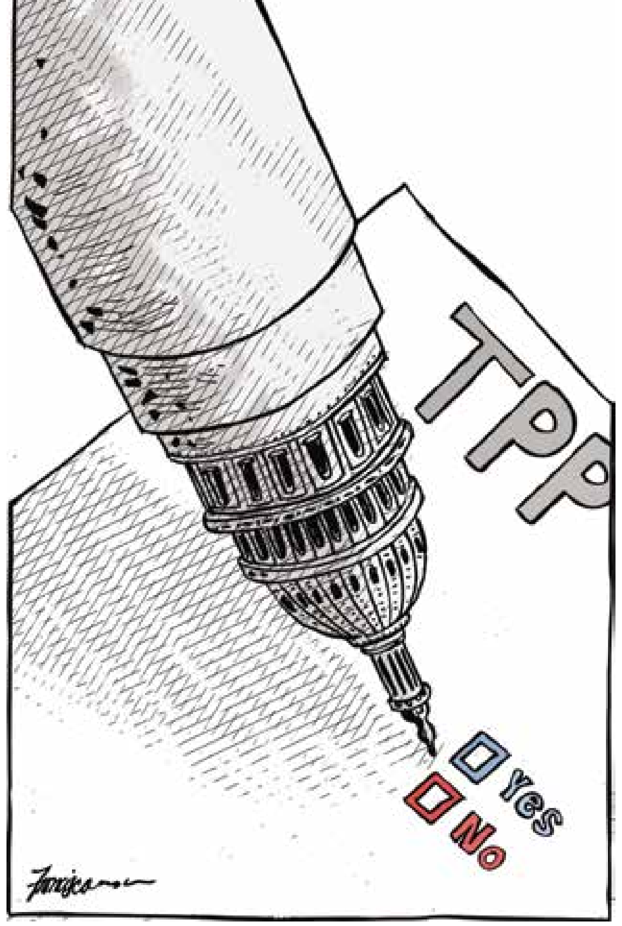
And then there are other structural concerns to be worried about when it comes to American foreign policy even beyond Mr Trump taking the reins. The reality is that US international influence was in decline before Mr Trump arrived on the political scene.

Protesters in the US calling for the rejection of the Trans-Pacific Partnership trade deal in October 2015. Asian countries joined the TPP in 2015 to balance against Beijing, but the election of Mr Trump makes Beijing look more like the stable economic power for the countries to hitch their economic wagons to. **PHOTO:** AGENCE FRANCE-PRESSE

In the Middle East, Saudi Arabia and Iran are fighting a proxy war that feeds conflict in multiple countries. Wars rage on in Iraq, Syria and Yemen. Continued lower oil prices make it more difficult for governments to cope with challenges from within. It's not clear what difference any American president might make in this region. Which, depending on your opinion of Mr Trump, could be a good or bad thing.

Europe, America's longest-standing and most like-minded ally, is divided and weak. The Brexit drama has only just begun. Populism is now on the rise on both sides of the Atlantic, and there are difficult votes ahead in Italy, France and Germany in 2017. The migrant crisis remains unresolved. There is no unity on how best to manage increasingly complex relations with Russia and Turkey. Washington is all but irrelevant to these challenges.

Much of Asia finds itself in China's lengthening shadow. Prior to the US election, Asian countries made the strategic choice to join the Trans-Pacific Partnership (TPP) as a way of balancing against Beijing. TPP's stumbles in the US Congress gave them pause; the election of Mr Trump will only make Beijing look more like the stable and sane economic superpower to hitch their economic wagons to.



ST ILLUSTRATION: **MANNY FRANCISCO**

Then there's Russia. President Vladimir Putin has spent the past 18 months trying to undermine US power and influence at every turn in this election cycle – his target was never to steal the election outright, but to weaken the sense of American exceptionalism which he believes the US has been flouting. In the eyes of many, he succeeded and then some.

But the good news is that in the short term, a President Trump will help stabilise relations with Russia, making them at the very least less openly hostile.

At the end of the day, the biggest challenges Mr Trump will face upon assuming the presidency are not of his own making – the political atmosphere in Washington has only grown more toxic over the past eight years and limits on US power have only become more obvious. Mr Trump came to power by highlighting these challenges and claiming he alone could fix them; let's hope so, because they're his problems now.

The writer is president of Eurasia Group and author of Superpower: Three Choices For America's Role In The World. ❑

Trump and Asia: Expect Anxiety, Tensions and Instability

The election of Republican Donald Trump calls into question much, if not all, of America's historically positive role in preserving Asia's stability and prosperity. And things could change quite significantly. Here are excerpts from Eurasia group's report on the future of US-Asia ties:

US-China relations

For a Chinese leadership that prizes stability and predictability, Republican Donald Trump's election is an unwelcome and surprising development. Mr Trump's purported approach will generate tension and friction in US-China relations, even as it creates more strategic space for China in Asia.

The timing of this election could not be worse for Beijing, which wants stability in the run-up to the Fall 2017 leadership transition. Beijing will be uniquely sensitive to US policy in this period and react (or overreact) accordingly.

Mr Trump and his current advisers have virtually no experience dealing with the Chinese government so the fabric of the official relationship–channels of communication, mechanisms for dialogue, etc. will have to be rewoven from scratch.

On North Korea, Mr Trump has said the US should make this China's problem and force China to solve it. Beijing won't take the bait and will resent such a move.

On Taiwan, Trump's advisers have advocated a more forceful US role defending Taiwan. His advisers have also called for a buildup of naval capabilities to balance China's growing presence in the Western Pacific.

Allies

US allies, especially Japan and South Korea, are decidedly on edge; they see a future full of uncertainty, anxiety and tension in their alliances with the US. Mr Trump will push them, and they will push back—and need to be seen doing so.

Key ministries in Seoul and Tokyo have already held multiple emergency sessions following the election; President Park Geun Hye even convened an emergency meeting with her National Security Council, an event normally linked to a North Korea provocation.

The US alliance system may be facing one of its most serious challenges since its formation in the 1950s. We do not believe that US alliances will break. They are too valuable to both sides and too deeply institutionalised. Yet if Mr Trump's campaign rhetoric is taken at face value, we expect these alliances to undergo unprecedented stresses which could cause real damage. The strategic weight of US alliances in Asia may decline.

In Japan, Prime Minister Shinzo Abe will use this shift in US policy to press for faster defence reforms and expenditures, including revision of the constitution.

There are early indications that leaders in Thailand and the Philippines, ironically, may use the election of such a non-establishment politician to reset the relationship. Major security partners such as India, Singapore and Vietnam will carefully hedge away from an uncertain US in a more pronounced manner.

Trade

The Trans-Pacific Partnership (TPP) is dead and so is US trade liberalisation towards the region. Mr Trump will be more focused on protecting US workers than opening up markets for US exports. The export-oriented economies of Asia will see a strategic shift away from them and adjust accordingly.

It will be interesting to see if Japan ratifies TPP after Mr Trump's victory. Vietnam and Malaysia have already put TPP's approval on hold.

Ravi Velloor
Associate Editor, The Straits Times

Challenges for the new US leader

Many urgent issues await Mr Trump, from uniting the nation and fixing its infrastructure to improving global trade and diplomacy

After the most divisive US presidential election in living memory, America has handed the reins to Mr Donald Trump, a real estate tycoon who was standing for his first public office and has no experience at all in public service.

It is not going to be an easy ride.

Major challenges await the septuagenarian Mr Trump as he begins work in the third week of January. There is no denying he has big shoes to fill: Mr Barack Obama as President has been impressive, both as a personality and a performer.

To begin, the new President will have to initiate a healing process after the most divisive, hate-filled campaign seen in recent memory.

Mr Trump's refusal throughout the campaign to say he would accept the election results if they went against him suggest that the ill feelings raised by two of the most divisive public figures in American history may linger on for months. He now has the job of not just assuring, but ensuring that America's minorities, particularly Muslims and Hispanics, continue to feel secure in their homeland.

The Trump position, even if many sense much of it was just a play to the ground, has inflamed many, including in the white working class majority that backed him so fervently. The backlash against him has become all too evident. This victory could have an unpredictable impact on America.

Republican President-elect Donald Trump giving the thumbs up to the crowd during his acceptance speech at his election night event in New York on Nov 9. He defeated Democratic presidential nominee Hillary Clinton to become the 45th president of the United States.
PHOTO: AFP

He has made a good beginning by promising to be president to all Americans.

Sooner or later the domestic economy also could drift up his list of priorities.

Arriving in the midst of the worst economic crisis since the Great Depression, Mr Obama had managed to pull the US economy out of its morass. From June 2009, he oversaw a period of steady but unspectacular growth that's helped him bequeath a strong and competitive economy to his successor.

Now, after 88 months of expansion, some think the US economy may be poised for a cyclical slowdown. Through no fault of his, Mr Trump could have this thrust on him.

There will also be plenty to do for the global economy. For the immediate, the task is to assure the world that after the deeply inwardly focused US election campaign, America stays open for business. For this, some backtracking on the rhetoric against free trade is important. Hopefully, Mr Trump will come around to accepting that the trade pacts – the Trans-Pacific Partnership (TPP) focused on Asia, and the Transatlantic Trade and Investment Partnership (TPIP) with Europe – are important to America's long-term interest.

That will ease worries in financial markets, whose behaviour had always seemed to suggest they'd prefer a Clinton presidency.

In other words, the world wants America to stay open.

The longer-term economic challenge – and this plays into the likelihood of measures to spur a slowing economy – is to fix America's crumbling infrastructure without busting the national finances.

Many American airports, for instance, are a mess compared with their Asian peers, as Mr Trump, accurately for once, pointed out on the stump. Its bridges are old and creaky. There is much to do for the efficiency of its ports.

Since massive infrastructure investments will have to be led by public investment, it may well lead to higher government debt levels in America and push inflation higher. That, in turn, could lead to higher interest rates that might lead to money flowing out of Asia. On the positive side, it could lead to a growth spurt in America that could only prove beneficial for the rest of the world.

Externally, several priorities loom for the next incumbent in the White House.

In Europe, the big one is Russia. As Mr Obama's tenure winds down, it is hard to imagine that this American president had, in fact, sent his Russian counterpart Vladimir Putin a clock early in his tenure, as a signal he wanted to "reset" ties with Moscow. It is one major relationship his administration has fumbled, thanks in part to Mrs Clinton's stewardship of the State Department. But even after her departure, things have only gone south, most recently over Syria. Mutual suspicions – Mr Putin's fear of encirclement by Nato and Western nervousness of Russian expansionism – have stoked the fires.

The impact of all this has been felt not just in Europe but in Asia as well. Weeks ago, Russia and China held their first-ever joint naval exercises in the South China Sea.

In fact, several corners of Asia will need urgent presidential attention. Mr Obama's pivot, or rebalance, to Asia, is in tatters after the Philippines, a key domino, seems to have fallen into China's thrall under the new administration of President Rodrigo Duterte. Since the Philippines is America's oldest treaty ally in Asia, this exposes a key plank in Pacific security, with the danger that more dominos that have maritime territorial issues with Beijing may go the same route. This would mean the US significantly losing influence in the Western-Pacific ultimately.

Pew research suggests that Americans are getting less and less enthusiastic about getting involved in the problems of the world outside their borders. But certain issues have such global dimensions that even the most inward-looking American leader may find it imperative to wade into those waters.

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Tommy Koh
For The Straits Times

Memo from an old friend of the US

Dear President-elect Trump

I write this memo as an old friend of the United States. I also do so as someone who has worked for many years to promote mutual understanding and friendship between Asians and Americans.

The relationship between America and Asia is particularly important because Asia is rising and some in America may perceive the rise of China as a threat to American prosperity and security.

EMULATE REAGAN

My first piece of advice is for you to emulate former president Ronald Reagan. When Mr Reagan was elected as president, there were fears that his right-wing posture and election rhetoric might lead to a war between the US and the Soviet Union.

Mr Reagan ran for office from the right but he governed from the centre. He appointed strong, competent and experienced men and women to serve in his administration. He empowered them and did not try to micromanage them.

In the same way, my hope is that you will recruit some of the most qualified, competent and experienced men and women, within and without the Republican Party, to serve in your administration. The Republican Party has a deep talent pool. Since you are an iconoclast, you should also consider appointing some outstanding politically independent individuals to join your team.

ELECTION RHETORIC IS NOT POLICY

My second piece of advice is to disregard your election rhetoric in the making of policy. In the course of the long campaign, you made remarks that resonated with the audience or your constituency but which would make bad policy. You should avoid the trap of being held accountable for those remarks. You need not have a bad conscience about it because every US president before you did the same thing. You are just following a well-known US tradition.

U.S. President-elect Donald Trump, his wife Melania and son Barron greet supporters during his election night rally in New York. **PHOTO:** REUTERS

US-JAPAN RELATIONS

The country in Asia that needs your reassurance the most is Japan. The Japanese are nervous about your attitude towards the US-Japan security alliance. They are worried about the reliability of the US nuclear umbrella. The trust of the Japanese government and people in the US is at stake.

This is happening at a time of rising nationalism in Japan. A new generation of Japanese leaders are beginning to express the view that the time has come for Japan to transcend the US-inspired peace Constitution and to amend Article 9 of the Constitution.

This process will be accelerated if the trust of the Japanese people in the reliability of the US security guarantee is undermined. If Japan becomes a "normal" country and decides to acquire nuclear weapons, this will set in train developments in North-east Asia which could destabilise the whole region.

It is therefore important for you to reassure your Japanese ally of your commitment to the US-Japan security alliance. This alliance is important not only to the two contracting parties, but also to the peace and security of the entire Asia-Pacific region.

US-CHINA RELATIONS

Another country in Asia that needs your urgent attention is China. In the course of the campaign, you said some unkind things about China. You threatened to withdraw from the World Trade Organisation (WTO) and impose tariffs on Chinese exports to the US.

As a friend of both the US and China, I would like to say that you should not regard China as an enemy of the US. The truth is that you are dependent on each other.

China is your biggest creditor country and the US is China's largest export market. Beyond economics, you have congruent interests in nuclear non-proliferation, climate change, the Korean peninsula, Iran, terrorism and other issues.

For over 40 years, every US administration since the Nixon administration has pursued a bipartisan policy towards China. The policy is to engage China and to persuade it to be a responsible stakeholder. The policy is to cooperate with China where your interests converge, to compete where they diverge and to manage your differences on the basis of mutual respect and mutual benefit. It would be good if you could affirm your support for this policy.

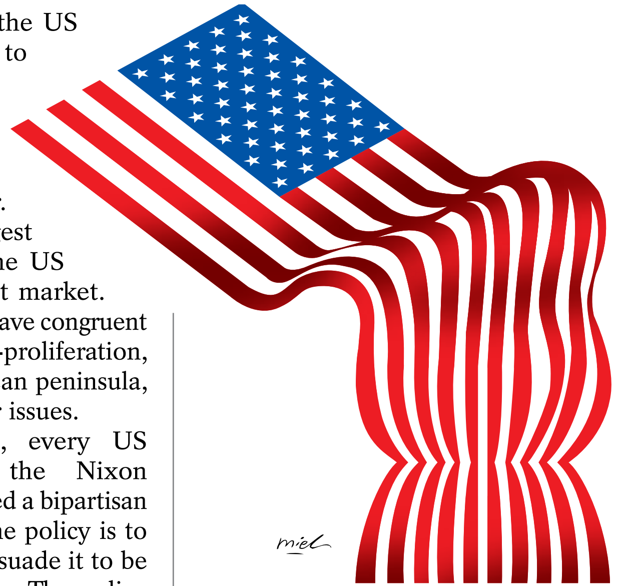
There are many in Asia who worry that the US and China may fall into the Thucydides Trap. We do not want a hot or cold war between the incumbent hegemon and the challenger.

On the question of your trade policy, many in Asia are extremely nervous about your protectionist election rhetoric. We understand that one of your constituencies consists of workers who have lost their jobs because of the closure of their industries or companies. Many of them have remained unemployed for many years. Their towns and villages have been devastated by such closures. They have become victims of a vicious circle. You have promised to bring their jobs back and to prevent US companies from relocating their manufacturing operations overseas.

As a good businessman, you know that competition is a fact of life and protectionism is a dead-end road.

You know that technology and the relentless logic of comparative advantage will force some industries and some manufacturers to relocate in order to survive.

Instead of trying to protect jobs in such sunset industries, you should focus on promoting jobs in sunrise industries. Instead of erecting walls against foreign competition, you should focus on incentivising sunrise industries to locate in these depressed areas of your country, to reskill the workers who have been laid off and to provide a cushion to support them in the transition.



ST ILLUSTRATION: **MIEL**

America's future is in the sunrise industries and not in the sunset industries. The truth is that, on the whole, free trade and globalisation are forces for good and not evil.

As a businessman, you know how important it is for the business environment to be stable, transparent and rules-based. What is true of the domestic economy is also true of the world economy. We need a stable, transparent and rules-based international economic order. The WTO provides such an order for international trade. The WTO serves US national interests.

US-ASEAN RELATIONS

Of all the sub-regions of Asia, the one sub-region that is the most peaceful, prosperous and friendly to the US is South-east Asia.

The sub-region has a population of over 600 million, hosts more US investment than China, Japan and India put together, is blessed with abundant natural resources and sits astride some of the world's most important sea lanes. The sub-region also has a world-class regional organisation, Asean.

Since 2009, except for 2013, the US president has held an annual summit meeting with the 10 leaders of Asean. The US president has conscientiously attended the annual meeting of the East Asia Summit.

It would be very good if you could reaffirm the US commitment to Asean and make every effort to attend the two summits. It would also be greatly appreciated by this region if the Trump administration could reaffirm the US support for Asean unity and neutrality, as well as the central role it plays in the regional architecture.

I join the many friends of America in Asia in saying that we would very much like to see you succeed as president. Good luck.

Yours respectfully,

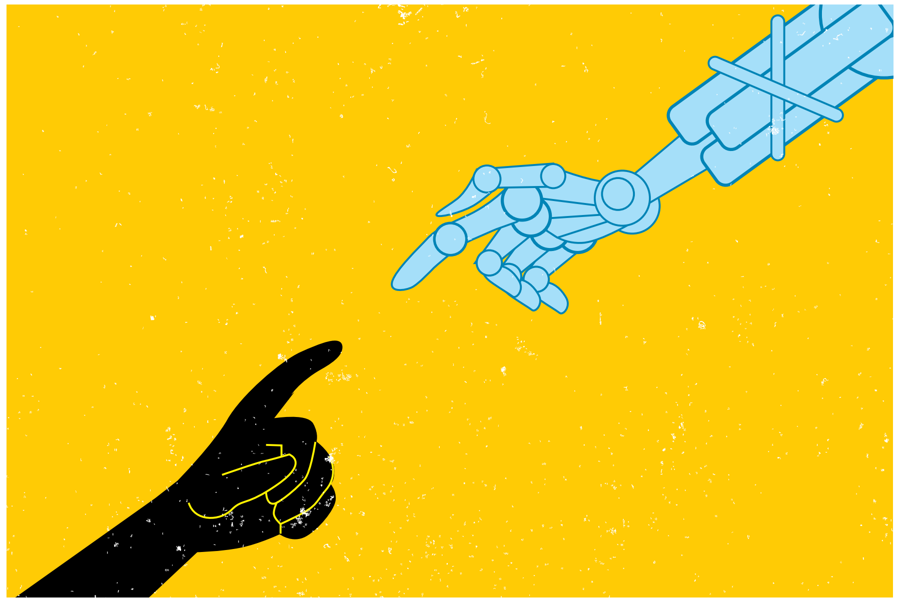
Tommy Koh

The writer served as Singapore's Ambassador to the US from 1984 to 1990. He is currently co-chair of the China-Singapore Forum and the Japan-Singapore Symposium.

Warren Fernandez
Editor-in-Chief

Davos to Daytona: Rediscovering the case for globalisation

Davos elite will have to find ways to convince Trump and his supporters that their future lies with the open, inclusive, forward-looking international order



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When world leaders gather for their annual conference in the Alpine resort of Davos in Switzerland in January, the elephant in the room will be none other than Mr Donald Trump.

Mr Trump is unlikely to be there in person; the United States President-elect will be in Washington DC, busy being sworn in on Jan 20. That is the very week that government and corporate chiefs will be holding their meetings in Davos, which are seen by some as the ultimate celebration for the idea of, and belief in, economic and political globalisation.

A rather frosty reception might have awaited Mr Trump had he chosen to brave the journey to the picturesque ski town, several hours by road from Zurich. Few, after all, have done more than he has to dispute, disparage and even try to debunk the Davos creed, with his rejection of free trade, immigration, racial integration, Western-led alliances and political liberalism.

The Economist magazine, favoured by the Davos set, summed it up well in an editorial after the shock US election results: "The fact of Mr Trump's victory and the way it came about are hammer blows both to the norms that underpin politics in the United States and also America's role as the world's pre-eminent power… he has taken aim at the belief, embraced by every post-war president, that America gains from the often thankless task of being the global hegemon. If Mr Trump now disengages from the world, who knows what will storm through the breach?

"The sense that old certainties are crumbling has rocked America's allies, The fear that globalisation has fallen flat has whipsawed markets. Although post-Brexit Britons know what that feels like, the referendum in Britain will be eclipsed by the consequences of this election. Mr Trump has demolished a consensus. The question is now what takes its place."

Perhaps most troubling for the Davos set will be the fact that so few from this elite circle saw what has been called a "whitelash by the Trumpentariat" coming.

Indeed, most of those who attended the annual conference convened by the World Economic Forum (WEF) in 2016 had given scarcely any credence to either the notion that Britain might pull out of the European Union, or that a 70-year-old businessman with no political experience might storm his way into the White House on a wave of populist rage. It just wouldn't happen, said many.

Rather, much of the discussion was focused instead on the impact of rapid advances in fields such as 3D printing, artificial intelligence, nanotechnology, robotics and the Internet of Things.

These were giving rise to the Fourth Industrial Revolution, as spelt out by Professor Klaus Schwab, the WEF's founder and executive chairman, in his latest book.

"The First Industrial Revolution used water and steam power to mechanise production.

"The Second used electric power to create mass production.

"The Third used electronics and information technology to automate production.

"Now a Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century.

"It is characterised by a fusion of technologies that is blurring the lines between the physical, digital and biological spheres.

"The speed of current breakthroughs has no historical precedent. When compared with previous industrial revolutions, the Fourth is developing at an exponential rate rather than a linear pace.

"Moreover, it is disrupting almost every industry in every country. And the breadth and depth of these changes herald the transformation of entire systems of production, management and governance," wrote Prof Schwab.

World of new possibilities

Evidence of these new technologies coming rapidly on stream was seen throughout the massive WEF conference hall, from a South Korean robot called Hubo showing off its dexterity in navigating obstacles in its path, to virtual-reality documentaries and an exhibition called This Time Tomorrow which showcased futuristic products, such as clothes with solar panels to charge your mobile phone.

It seemed like a world of rich new possibilities.

Indeed, one speaker at the forum, Oxford professor of globalisation and development Ian Goldin, likened the present time to the Renaissance, with its flourishing of science, innovation, the arts and ideas by the likes of Michelangelo and Leonardo da Vinci.

Such periods of intellectual ferment, added Professor Patrick McCray, professor of history at the University of California, often result in upheavals in society, with new social systems and operating standards emerging, from education to religion and social welfare.

Indeed, the sheer scale and pace of change are proving bewildering to many, as United States Vice-President Joe Biden pointed out. He reminded those gathered at the forum that there are very real middle-class fears of jobs being lost, livelihoods being disrupted and communities being shattered.

A WEF report released just days before the forum warned that as many as seven million jobs in developed countries could be lost over the next five years, with only two million new ones created over the same period.

The "Uberisation" of the economy might threaten cabbies' livelihoods, as private drivers offer cheap and convenient rides to passengers.

But even those private drivers might be made redundant when an Uber of the not-too-distant future starts offering rides in driverless vehicles.

Then what?

Going by the discussion in Davos, you might point to two distinct camps on what one might make of the prospect of a world without work.

The "techno-optimists" cite the rather glib mantra of science fiction writer Arthur C. Clarke, that the "goal of the future is full unemployment, so we can play".

New and more meaningful forms of human activity and social support networks will spring up in this brave new world, just as it happened in the previous industrial revolutions.

Just imagine, this group says, robots that can not only take away the drudgery of office work, but also look after Ebola patients or handle nuclear waste.

The opposing camp's rejoinder is from French philosopher Voltaire, who argued that "work banishes three great evils – boredom, vice and need". Already, signs of all three are evident in some societies, they note. Unemployment levels are high in many developed countries, including among young people.

A South Korean robot called Hubo, seen here showing its dexterity at the World Economic Forum held in Davos, Switzerland, from Jan 20 to 23, is proof of new technologies coming rapidly on stream. **PHOTO:** BLOOMBERG

Yet, paradoxically, employers speaking on a panel on the Future of Jobs were united in lamenting how difficult it was to find, and hold on to, the skilled workers they needed.

Employers pointed to a double mismatch – skilled workers were not where the jobs were; they were reluctant or unable to move, with national borders, cultural differences or xenophobic attitudes acting as barriers.

Secondly, workers who were available did not have the skills that employers sought.

Just about everyone who spoke at the session agreed that the main reason for this was outmoded education systems in most countries.

A period of promise and peril

Taking up these issues, Singapore's Deputy Prime Minister Tharman Shanmugaratnam pointed to two major challenges arising from the Fourth Industrial Revolution.

"First, that it could destroy jobs, and does not create enough new jobs… That is a valid fear, as it could happen that way," he noted.

But what had to be feared even more, he argued, was the status quo. This was one of high unemployment in many countries, coupled with jobs going unfilled because of a mismatch between skills and jobs. Wages had also stagnated for the middle classes, such that the current situation holds little promise for many ordinary folk.

"We should fear the failure of the Fourth Industrial Revolution, that it fails to uplift productivity, because you can only raise wages on a sustained basis if you go for higher levels of productivity," he argued.

"The challenge is to prepare people for this new world, where you already have many jobs unfilled, to prepare them for these jobs, and the jobs that are coming as well."

Doing so would require a reorientation in the way people are prepared for work and for fulfilling their potential, said the DPM.

First, a new balance has to be struck between the practical and theoretical in education programmes.

A shift is also needed away from the front-loading of education during the first two decades of a person's life towards a system of lifelong learning. Public funds, and private savings, which tend to be focused on education in these early years, should be spread out over a longer period of a worker's lifetime, enabling him to continually retool for new jobs as technologies change.

To be more effective, education institutions should do better at measuring outcomes, ensuring that they are preparing their young charges for the jobs that are coming on stream.

Getting employers and unions more involved in shaping curricula and programmes would also ensure that education programmes are agile and stay relevant amid rapid changes in technology.

These steps are precisely what the Singapore Government has embarked on with its new SkillsFuture programme, he added.

Rejecting the talk of a robotised future world plagued with massive unemployment, he said: "Technology will not determine the future. It is we who will make the future. The question is how we adapt."

Sharing this view, Prof Schwab summed up the current situation as a moment of "great promise, but also great peril".

Given the dramatic events of the past months, Prof Schwab's remarks seem prescient, as were those who alluded to great social upheaval, intellectual ferment and change that would be brought on by the economic and social forces underpinning the Fourth Industrial Revolution.

Yet, clearly, the anguished cries of those who are at the receiving end of the wrenching changes it has given rise to – rising income inequality, unemployment and social dislocation – have not been sufficiently heard, or addressed, to ensure that the benefits of globalisation are spread more widely.

So, when they meet again in Davos in January, the key architects – and primary beneficiaries – of globalisation will have much collective soul-searching to do. They will have to ponder the rage and resentment that have surfaced from those who feel left out, ignored and condescended to.

The Davos elite will have to find answers, and frame solutions, to convince Mr Trump and his supporters from Detroit to Daytona that their future lies with the open, inclusive, forward-looking international order that has enabled the world to make so much progress in recent decades.

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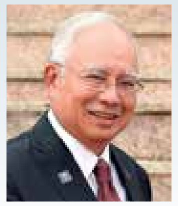
2017 - A year of disruptions?

ASIA

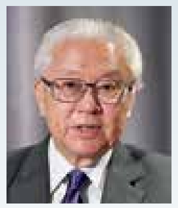
Recommendations of the Committee on the Future Economy, which is mapping a blueprint for Singapore's economic future, are expected to be out in January 2017.

Jakarta's gubernatorial election is due to be held on Feb 15, 2017. Governor Basuki Tjahaja Purnama, better known by his nickname Ahok, is the front runner. He is a strong ally of President Joko Widodo. The other two contenders are: former president Susilo Bambang Yudhoyono's son Agus Harimurti Yudhoyono; and Mr Anies Baswedan, who is supported by the party of former Suharto-era general Prabowo Subianto. Mr Prabowo lost to Mr Joko in the 2014 presidential election.



Malaysia needs to hold its next general election only by August 2018. But speculation is gaining ground that it could call for elections any time after March 2017. The nation will be celebrating its 60th year of independence on Aug 31, 2017.

South Korean President Park Geun Hye faces record low approval ratings and mass protests calling for her resignation and questioning from prosecutors, amid a political scandal involving her close friend, Ms Choi Soon-Sil. The next presidential elections are due to take place in December 2017 but if she is forced to step down, it could be held earlier.



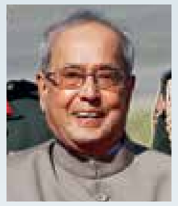
Singapore is due to elect its next President by August 2017. It will be the first election following changes proposed by the Constitutional Commission set up to review the elected presidency system. Prime Minister Lee Hsien Loong has said that the election will be reserved for candidates from the Malay community. This means Singapore will see its first Malay president after 47 years.

A six-member panel set up to review various aspects of the possible abdication of Japan's Emperor Akihito is expected to announce its recommendations by early 2017.

The election for Hong Kong's Chief Executive is scheduled for March 26, 2017. The position is currently held by Mr Leung Chun Ying and he is expected to contest for another term.

On Aug 8, 2017, Asean celebrates 50 years since its founding. The 10-member grouping will be led by Philippine President Rodrigo Duterte as chairman. The theme for the Philippines' Asean chairmanship in 2017 is Partnering For Change, Engaging The World.

Japan's Iwakuni military base is set to become the first foreign base of the United States to receive the state-of-the-art F-35 jets. The first batch of 10 planes is due to arrive in January while six more will arrive in August 2017.



India is due to appoint its next president in July 2017 after the term of President Pranab Mukherjee ends. The ruling Bharatiya Janata Party is expected to try to make history by getting one of its leaders appointed to the position.

Crown Prince Maha Vajiralongkorn, 64, is the designated successor to Thai king Bhumibol Adulyadej but his coronation is expected to take place only after the royal cremation, in a year's time. The king's death has raised questions about whether Thailand's military rulers will proceed with the general election scheduled for late 2017.

China heads into leadership transition with most of its top leaders due to retire in 2017. It is almost certain that President Xi Jinping will be appointed for a second term during the 19th party congress in autumn 2017. But many will be waiting to see if he gives any indication about his likely successor. He is expected to step down in 2022 but some say a third term for the Chinese leader cannot be ruled out.

ELSEWHERE

The year begins with the inauguration of the next US President on Jan 20, 2017. It will take place on the West Lawn of the United States Capitol Building in Washington.

The future of Brexit will be in the limelight. British Prime Minister Theresa May hopes to start the process of formal discussions with the European Union for Britain to leave the EU – by triggering Article 50 of the Lisbon treaty – by March 2017 and bring it to completion in two years. However, much will depend on the UK Supreme Court's ruling on her ability to do so, after a High Court decision in November held that Parliament should vote on the issue. The Supreme Court hearing begins in December 2016.

Iran is set to hold its presidential election in May 2017 and President Hassan Rouhani will seek a second term. If he wins, it will give him a chance to push through reforms.

France is due to hold its presidential election in April-May 2017. There are already 12 declared candidates and President Francois Hollande is expected to contest for a second term.

Federal elections are set to take place in Germany in autumn 2017. Chancellor Angela Merkel is expected to run for another term and observers will be watching out for the fate of the anti-Islam, anti-immigrant party, the Alternative fur Deutschland (AfD), which has made impressive gains in regional elections since 2013.

THE STRAITS TIMES

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The Obama presidency: An assessment

One unknown is whether his rebalancing to Asia will endure beyond his administration.

http://str.sg/4GAZ

Tommy Koh

Choosing between America and China

The current US policy in Asia is flawed and offers little hope of stable ties with China in this part of the world.

http://str.sg/4NGe

Hugh White

The rise of China and the fall of democracy

The twin trends of the 21st century are the rise of China and the decline of democracy. Different though they may be, there is one thing in common: Both China and democracies grapple with a deficit of trust from their citizens.

http://str.sg/4gxk

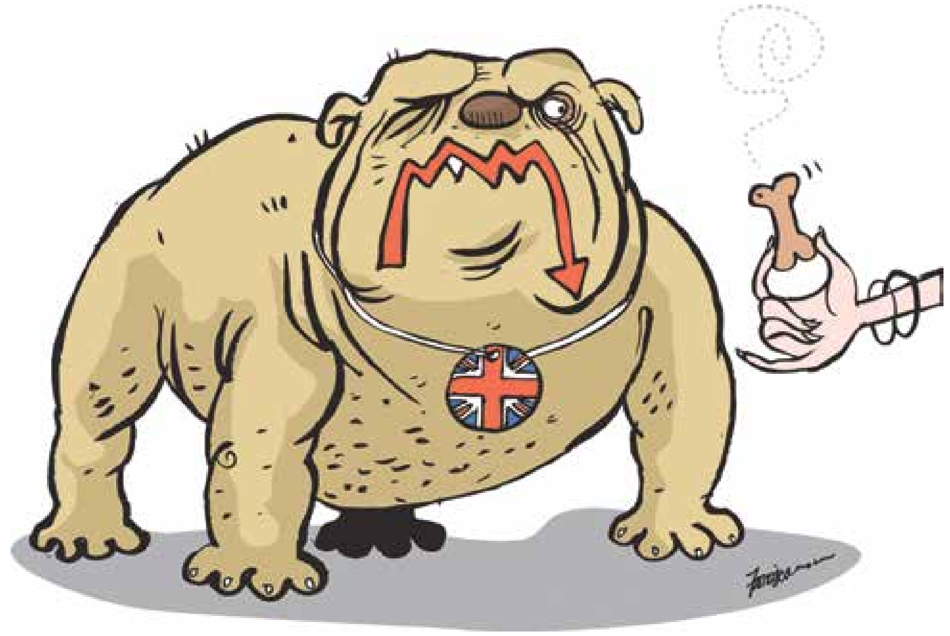
Jean-Pierre Lehmann

Sources: The Straits Times, Bloomberg Business Week, Financial Times, Economic Times, Japan Times, Time.
PHOTOS: REUTERS , AFP, EPA, ST FILE

Jonathan Eyal
Europe Correspondent, The Straits Times

Can Theresa May's idea of 'the good government can do' tame the market?

Once dismissed as parochial and inconvenient by the elites, concerns about immigration and job security now have the ear of political leaders all over the world – British PM Theresa May being the latest



ST ILLUSTRATION: **MANNY FRANCISCO**

LONDON - "Brexit means Brexit" is what Mrs Theresa May vowed to her people when she became Britain's Prime Minister in July. That was her way of promising that, having voted in a referendum to exit the European Union (EU), British voters were going to get precisely that – nothing more and nothing less than a departure from the EU.

But as Mrs May addressed the annual conference of her ruling Conservative Party in the week of Oct 3, 2016, it suddenly became clear that Brexit actually means more than just Brexit: It heralds the start of a broader "revolution", one in which, as she put it, millions of Brits "stood up and said they were not prepared to be ignored any more".

As she made clear to her party stalwarts, the British leader plans to ride on the wave of this revolution by shifting her party from the centre-right to the centre-left of politics, from a blind belief in the forces of the market economy, free trade and globalisation towards a world in which markets are again regulated, borders are increasingly sealed to migrants and governments are again concerned with wealth distribution.

If carried through, this will be an intellectual shift of monumental proportions, and it is one that appears to be echoed in many other Western countries, including the United States. The days of untrammelled capitalism unleashed by then US President Ronald Reagan and then British Prime Minister Margaret Thatcher during the 1980s now appear to be over.

Undoubtedly, the British referendum that resulted in the country's decision to depart from the EU was a seminal, historic event. It was a result nobody expected, certainly not the government ministers who hoped that the referendum would settle the question of Britain staying in the EU for at least a generation, and not the broader British political class who tended to dismiss those who argued that Britain could exist outside the EU as lunatics, no different from flat-earth believers.

The fact that the decision went the other way created a fundamental split in the British nation. In some parts of London, such as the leafy northern suburb of Islington or the super-expensive areas of Kensington and Chelsea, more than two-thirds of the electorate voted for Britain to stay in the EU. But most of England's countryside voted "no", and in some industrial parts of north England, rejection of the EU surpassed 70 per cent.

An even more significant factor was the turnout in the EU referendum. In big cities, the turnout was respectable but unremarkable. But in northern areas of England where hostility to the EU is intense, the turnout was as high as 75 per cent to 80 per cent of the electorate; people were angry and determined to show their anger.

Fervent believers in European unity are still in denial about what has happened. They tend to dismiss the British referendum as just a fluke, an example of British eccentricity, the sort of foolish things people who live on islands off continents tend to engage in. But, as Mrs May has pointed out, the reasons for the rejection of the EU by the British people are more profound and systemic.

GLOBALISATION'S BACKLASH

For Brexit is a product of a sense of resentment against the political elites who not merely fail to understand what ordinary people want, but also actually have a disdain for the electorate's beliefs. As Mrs May put it in what must rank as one of the most searing criticisms of her country's elites, they regard love of the nation and patriotism as "distasteful", they dismiss fears about immigration as merely "parochial", and they dismiss voters' concerns about job security as just an "inconvenient" problem which in no way should interfere with free trade and globalisation.

And there is no question that Mrs May has captured the feelings of a majority of her nation. For, if one sits in London or some of the country's other big cities, life has never felt better, restaurants have never been more tempting, and there has never been a better time to hire cheap foreign maids and cleaners, or buy an array of foreign-produced goods, all pouring into the country duty-free.

But to millions of Britons who have only basic education and no skills, globalisation spells permanent marginalisation and poverty. Few British companies now bother to train British workers – why should they, when they can import trained workers from the rest of Europe? Some companies do not even attempt to hire workers in Britain at all. They simply use labour intermediaries who ship in busloads of EU workers, no questions asked. A decade ago, an unskilled British worker had to compete in a British labour market of 60 million people. Today, he is asked to compete in an EU labour market of more than 500 million.

Seen from this perspective, the only surprise is that the backlash against globalisation has taken so long to manifest itself. But there is no question what this backlash is all about: It is against immigration and open borders, as well as unfettered free trade, which, instead of being seen as a wealth creator, is now regarded as a job destroyer.

Mrs May wants to take the lead in answering this backlash by reminding voters of "the good government can do" in saving capitalism from itself – "where markets are dysfunctional, we should be prepared to intervene", she says. She has proposed to force companies to reveal the salaries that they pay their top bosses in order to shame them into dealing with workers' inequality, impose border controls to reduce immigration to the bare minimum and force companies to exercise corporate responsibility in their society by hiring and training workers, all in order to shift the market balance "decisively in favour of ordinary working-class people".

British Prime Minister Theresa May's proposed policies are being discussed in many European capitals. **PHOTO:** BLOOMBERG

And there is no doubt that although Britain's proposed measures to stop immigration are unusual by European standards, Mrs May's proposed policies are now being discussed in many European capitals.

French leaders gearing up for their country's presidential election next April talk about this all the time. So do German politicians preparing for their general election in October 2017. And so do Mr Donald Trump and Mrs Hillary Clinton in the US. All are suddenly downplaying the virtues of markets and globalisation, while extolling the benefits of government regulation.

But it is not at all clear that they are right to do so. To start with, the evidence that government officials are necessarily better than markets at allocating resources and alleviating economic problems is patchy, to say the least. The worst decades in British economic history during the 20th century were precisely those when the economy was regulated by the state.

Nor is it clear that forcing companies to shoulder more of their corporate social responsibilities achieves the necessary results. Germany, which has applied this model for decades, recently modified it precisely because it resulted in higher production costs without higher benefits to the community.

And reducing immigration without improving education and social inclusion will not achieve much either, especially in an age when companies may either choose to invest in automation instead of hiring domestic labourers, or simply opt to relocate production lines to other countries.

Furthermore, as Mrs May is now doing, trying to take the sting out of populist anti-immigration movements by threatening draconian immigration controls will not work either. French politicians have adopted this technique for years, but have always been trumped by extremists such as France's National Front, who simply advance even more irresponsible demands.

And there is also the risk that, in their rush to appear responsive, politicians like Mrs May read too much into the perceived current backlash against globalisation.

Extensive polling recently released by the Chicago Council on Global Affairs, a US think-tank, indicates that two in three Americans still believe that globalisation is "mostly good" for the US and a majority still support the Trans-Pacific Partnership, the trade agreement which both Mr Trump and Mrs Clinton now reject.

In short, voters may not be as disenchanted with the current system as their occasional outbursts indicate. So politicians who react by threatening trade and immigration barriers may be exaggerating by proposing to use a hammer to crack an egg.

Still, there is no doubt that the intellectual mood in many Western countries is now changing, moving away from a belief in the "self-correcting" virtues of markets and more towards government regulation.

Nor is there any doubt who will end up paying the price if this experiment goes wrong, as it has many times in the past: the same "ordinary working-class people" on whose behalf Mrs May now wishes to act.

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Stand up for the benefits of trade

What is good to win elections is not always good for a nation. That often unspoken truth has been apparent in America of late. It showed up in the shortsighted views that surfaced in an excruciating presidential race that got many hoping that both candidates would lose in tandem. Unfortunately, as was seen in their teeth-gnashing exchanges, the two contenders thought that trash talking globalisation was good for their election campaigns. Even more regrettably, they could be right.

A study done at the National Bureau of Economic Research earlier in 2016 showed that speaking against free-trade agreements when low-skill jobs are under threat translates into demonstrable vote gains. If either candidate speaks like an adult on the truth about globalisation, all could be lost – especially when there are large numbers of endangered workers in the usual swing states who watched closely during the American presidential elections. That is probably why both Democrat Hillary Clinton and Republican Donald Trump contributed to "the rawest debate in decades over trade agreements", as the Wall Street Journal observed.

Putting a price to the harm caused by trade barriers, the Organisation for Economic Cooperation and Development says a rise of US$1 in tariff revenues can lead to a US$2.16 fall in world exports and a US$0.73 drop in world income.

With the political stakes high, it's no wonder that it took outgoing President Barack Obama to make the case for globalisation in his final address to the United Nations General Assembly, where he reminded the world that there is less cause now to be "filled with uncertainty, unease and strife" than during the Cold War years. Yet these are the sentiments stirred up by anti-trade politicians with an eye on the polls in many countries.

Such actions represent a flaw of the democratic system as national policy can wind up being skewed by the interests of a certain group of voters. Low-skilled workers are most certainly vulnerable – not just because of competition from abroad but also from smart machines and software. But protecting them by putting up walls, rather than training them, has wider effects that can harm other groups as well. Quite apart from limiting the range of goods and the availability of cheaper prices, protectionism can work its way through an economy like an unstoppable cancer.

Putting a price to the harm caused by trade barriers, the Organisation for Economic Cooperation and Development says a rise of US$1 in tariff revenues can lead to a US$2.16 fall in world exports and a US$0.73 drop in world income. On the flip side, opening up trade would help grow average real incomes in both developing and newly-emerging countries, with the latter seeing higher gains of 3 to 6 per cent of GDP. Sadly, though, politicians who are more focused on short-term electoral gains think they can ill afford to take the long view. ❑

When disruption trumps old order

Many countries once fretted over how the United States views the rest of the world. As the sole pre-eminent power in the post-Cold War era, that mattered. But nations got more concerned about how Americans see themselves, as the nastiest ever race to the White House unfolded over an exceedingly long year. It seems like another epoch altogether when Senator Ted Cruz became the first Republican candidate to throw his hat into the ring in March 2015. He was described as "easily the most hated man in Washington". But that was before Mr Donald Trump gave him a run for his money by raising the political stakes to an unimagined height. Mrs Hillary Clinton, and the political order she represented, was then riding higher on the poll charts. She remained on top (by just a whisker later) all the way till the results started emerging. It showed how few could read American voters accurately.

The eventual victory of Mr Trump and the Republicans stunned global capitals and markets. What was on the minds of Americans when they went to the polls and how do they want their nation to act in an uncertain world? That is a matter of considerable importance for Asia too, especially in the light of geostrategic

So much is riding on the superpower's leadership that a drastic change of course would mean reassessments by many countries that could play out in a number of uncomfortable ways and for an uncomfortably long period. If it is no longer possible to count on a dependable ally and an old predictable order, what then can one fall back on?

repositioning that is already taking place in the region. America has been the great internationalist for decades under both Democrat and Republican presidents. Is that self-perception destined to run smack into a wall that has become a metaphor for Mr Trump's "America First" worldview?

So much is riding on the superpower's leadership that a drastic change of course would mean reassessments by many countries that could play out in a number of uncomfortable ways and for an uncomfortably long period. If it is no longer possible to count on a dependable ally and an old predictable order, what then can one fall back on?

What the election results reveal is just how sharply disruption has affected American politics – more profoundly than what Brexit is doing to Britain and how President Rodrigo Duterte is overturning Manila's oligarchic establishment. Political dynasty, experience in office, time-honoured ideals, the weight of facts and institutions, a superior war chest, party orthodoxy, and even a battery of big political names, pollsters and rock stars seem to matter less in the age of disruption, it seems. Even if this is seen as a freak result with two unpopular candidates acting as the perfect foil for each other's warts and beauty spots, there is no denying that the majority of Americans identified themselves more with Mr Trump. This was despite the fact that some of his positions on trade, immigrants and foreign affairs spooked many around the world. Mr Trump struck a gracious, statesmanlike note in his victory speech. The world will be watching to see if he surprises again when he gets to the White House. ❑

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East Asia Editor, The Straits Times

Will Xi go for a third term?

All eyes on Chinese President to see how he will consolidate his power in November 2017 and beyond

Beijing is on tenterhooks and will be so for most of 2017 as the elite politicians of Asia's most powerful nation jostle for power in a year of leadership transition.

Five of the country's seven most powerful leaders – members of the apex Politburo Standing Committee (PSC) – will have to step down at the 19th National Congress of the Chinese Communist Party (CCP), likely to take place in November 2017, if a set of unwritten rules are followed.

In their place, President Xi Jinping, also the general secretary of the party, is expected to slot in his own people, further consolidating his already considerable power, seen by some to be surpassed, since the communists came to power in 1949, only by the late strongman Mao Zedong.

Mr Xi, in the four years since assuming leadership of the party in November 2012, has concentrated power in his hands by heading key "leading small groups" that guide policies and reforms and sidelining many of the PSC members.

But not all are convinced that Mr Xi is in full control or that his power is as great as it seems, with reason. When a speech made by Mr Xi in January against "cabals and cliques" in the CCP appeared only in May – and then only extracts of it – it was suggested that members of the PSC belonging to the Shanghai faction had resisted its publication.

The attempt to characterise Mr Xi as the "core" of the CCP – a term used to describe then President Jiang Zemin but not Mr Xi's immediate predecessor Hu Jintao – began in January, but did not gain much traction. However, his supporters at the sixth plenum in October tried successfully to have Mr Xi formally named as the "core" leader.

Chinese President Xi Jinping at a meeting in Beijing. **PHOTO:** AFP

Still, while this showed consolidation of power by Mr Xi ahead of the 19th party congress, that he needed to be formally named "core" leader could mean a certain amount of resistance to his leadership among vested interest groups affected by his policies – such as anti-corruption and reduction of overcapacity – that needs to be overcome.

When Deng Xiaoping in 1989 designated Mr Jiang the core leader – the very first time the term appeared – together with himself and Mao Zedong, it was to shore up support for Mr Jiang. This was because Mr Jiang was an outsider from Shanghai – where he was party chief – brought in to head the party after the purging of then party general secretary Zhao Ziyang.

So Mr Xi's ability to name his own people to the PSC – at least three of the five seats in order to control the party's top decision-making body – will be closely watched as another indicator of the extent of his power.

And as the party prepares for the leadership transition, rumours have been flying thick and fast that Mr Xi might break some rules, including keeping his anti-corruption czar Wang Qishan, who will be over the age limit of 68 at the 19th congress.

There is even speculation that Mr Xi himself will want to stay on for a third term in 2022 – for a myriad of reasons – breaking the rule of a two-term limit for PSC members.

If Mr Xi does break any of the unwritten rules, he will be undoing the painstaking institutionalisation of the leadership succession process begun by Deng Xiaoping in the 1980s to emphasise collective leadership and prevent anyone from becoming too powerful.

RULES GOVERNING APPOINTMENT

In a recent article, China-watcher Alice Miller of the Hoover Institution at Stanford University described the three rules governing appointment to the PSC and concluded that Mr Xi would "continue to act within the constraints of institutionalised collective leadership", mainly because he lacked the "surpassing" power to break out of them.

According to Dr Miller, these three rules were followed over the past two decades, and the first is that retirement of both standing committee and regular members of the Politburo "has followed a defined age limit", set at 68 in 2002.

The second rule is that, apart from younger leaders appointed to the PSC in preparation for succession as party general secretary and state premier, new appointments to the PSC have to be drawn from regular members of the Politburo who are not due for retirement.

The third is that from the pool of eligible Politburo members, appointments to the standing committee are made on the basis of age. To these might be added a fourth, of a two-term limit for PSC members.

Dr Miller wrote that the rules may be to prevent the "all-out free-for-all competition for power that plagued the later Mao Zedong and early post-Mao years". Those were some of the most turbulent years of the communist era.

Also, taken together, the rules "broadly respect experience and merit over narrower calculations of factional and personal politics, and so prioritise criteria essential to managing a country whose power and prosperity have grown, and whose stake in orderly and stable politics has grown accordingly".

> What is certain is that major reforms are unlikely in a year of leadership transition, although Beijing will likely try to manage the economic slowdown to prevent any drastic fall in growth. In foreign policy terms, it will want to keep the region peaceful and stable and is, therefore, unlikely to make drastic moves.

Still, there are other China experts who believe that Mr Xi might tinker with or break some of the rules, for several reasons, to put his own men in place and even to go for a third term himself. One of these is that Mr Xi has not been able to have as free a hand as he would have liked because several members of the PSC are not of his choice.

At the 18th party congress power transfer where Mr Xi took over the reins of the party, compromise was made so that five of the PSC members would serve only one term because they will be 68 or over by 2017. Three of them are said to be part of the Shanghai faction of former president Jiang Zemin.

Premier Li Keqiang, 61 – the only one, apart from Mr Xi himself, eligible to serve a second term because of his age – is part of the Communist Youth League, the faction of former president Hu Jintao.

Only Vice-Premier Wang Qishan, 68, and Mr Yu Zhengsheng, 71, chairman of top advisory body the Chinese People's Political Consultative Conference – both

ST ILLUSTRATION: **ADAM LEE**

princelings like Mr Xi – are seen to be part of the President's inner circle. Of the two, Mr Wang is seen as Mr Xi's most effective ally, helping him to consolidate power and implement his new policy initiatives.

Perhaps because of this, there is the speculation that Mr Xi will attempt to keep Mr Wang on the PSC in 2017, despite this contravening the age-limit rule.

THE THIRD TERM INCENTIVE

As for Mr Xi going for a third term, China expert Huang Jing of the Lee Kuan Yew School of Public Policy thinks "there is strong incentive" for the President to do so.

First of all, with his hands somewhat tied in the first five years, he will only have the next five after the 19th party congress to have a relatively free hand to put the country firmly on the path towards his vision of China's rejuvenation, reunification with Taiwan, escaping the middle-income trap, establishing the legacy of the CCP and re-establishing China as a world power.

Another more personal reason is that in his anti-graft drive, he has made many enemies and will not want to retire until he can be sure of putting a successor in place whom he can trust, said Professor Huang.

Mr Xi's consolidation of power and even his staying for a third term is not necessarily a bad thing, say analysts like Prof Huang.

At this juncture of China's development, a strong leader is needed- and Mr Xi has shown himself to be one – whether it be pushing economic and political reforms amid a slowing economy or managing China's relations with the rest of the world, including the United States, wary of its rise.

But another China expert, Professor Andrew Nathan of Columbia University, wrote: "Xi's concentration of power poses great dangers for China."

He quoted Deng Xiaoping in a speech the patriarch gave in 1980: "Over-concentration of power is liable to give rise to arbitrary rule by individuals at the expense of collective leadership… There is a limit to anyone's knowledge, experience and energy. If a person holds too many posts at the same time, he will find it difficult to come to grips with the problems in his work and, more important, he will block the way for other more suitable comrades to take up leading posts."

Whether Mr Xi will go for a third term may become apparent in 2017 – if he fails to name a successor then, it is highly likely he will do so.

But whether that is a bridge too far for him, only time will tell.

What is certain is that major reforms are unlikely in a year of leadership transition, although Beijing will likely try to manage the economic slowdown to prevent any drastic fall in growth.

In foreign policy terms, it will want to keep the region peaceful and stable and is, therefore, unlikely to make drastic moves such as announcing an Air Defence Identification Zone in the South China Sea unless provoked. China, under Mr Xi, has been increasingly assertive in its claims in the vital waterway.

However, how China behaves in the region also depends on its relationship with its rival the US, which would have a new president with a new Asia policy, as well as how its neighbours behave.

For the region, 2017 will be a year to watch and wait, to keep a low profile, and to prepare for what will come for the next five years.

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Kluang: Sleepy town slowly getting its groove back

People rediscover forgotten charms in Kluang as attractions new and old draw in visitors

Kluang, about an hour's drive from Johor Baru, produces over a quarter of Johor's palm oil output, and is a ceramics hub featuring two of Malaysia's top tiling companies, Guocera and MML. It is also home to a number of multinational firms, such as personal care giant Kimberly-Clark, German refrigerator maker Liebherr and French building materials firm Terreal.
ST PHOTO: SHANNON TEOH

For most of the last century, nothing much changed in sleepy and laid-back Kluang, which was once Johor's second most prosperous town after the capital Johor Baru (JB).

In the 1970s and 80s, Kluang seemed to have gone from being a key inland port to a forgotten relic. The importance of its iconic railway station, which served vast tracts of agricultural areas and several manufacturing hubs, diminished in importance after Malaysia beefed up its road and air transport system.

Even today, Singaporeans often give the place a miss as they drive up on the North-South Expressway from JB to Malacca and other places further north – despite Kluang being just an hour away from JB.

This could all change by the time the Batu Pahat High-Speed Rail (HSR) station is up and running in about 10 years. The HSR station will be about half an hour away from both Batu Pahat and Kluang.

Even now, cash-rich residents of Kluang – which means "bat" in Malay – are buzzing over a steady transformation that has been taking root over the past two decades, and reversing an outflow that previously kept the town in the doldrums.

It seems crazy that up to the mid-1990s, 500 squatter homes sat right in front of the main transport hub, which included the town bus stand, instead of a lively business district.

In 1990, Datuk Tan Seng Leong – now known as the "Father of Kluang" – proposed that the third-generation occupants be relocated to what was then Johor's first private development project.

Step outside the railway station today and a commercial hub with modern shops spills out down Jalan Sultanah. It is the only town outside the state capitals and Klang Valley to boast global fashion brands like Uniqlo, H&M and Cotton On.

Only the smell of freshly brewed coffee wafting out of the now famous Kluang Rail Coffee franchise reminds people of the past, when derelict colonial buildings and squatters would greet recent arrivals.

"When I started my law firm in 1993, there was only one pub, and I was the only young professional there. But in the last 20 years, the landscape has changed completely," said the local Malaysian Chinese Association chief Gan Ping Sieu, born and bred in Kluang.

It was a costly process for Mr Tan, who is the managing director and founder of public-listed property developer BCB Berhad.

He spent years in court as politicians protested against the controversial plan.

In the end, he paid RM30,000 on behalf of the state government to each squatter, three years before the first shop lots were ready, and right smack in the middle of the 1997 Asian financial crisis.

"I sold it all only in 2002 and had to service hundreds of millions in loans for the project. But I couldn't abandon it because I had already paid the squatters in cash," he said.

OPENING THE FLOODGATES

Since then, others have taken Mr Tan's lead in reshaping the face of Kluang, and unleashing the pent-up purchasing power of the cash-rich residents in the town, which has a population of 300,000.

Many are businessmen and, according to third-generation Kluang Rail Coffee operator Barney Lim, their self-employed status allows them the flexibility of having "tea-time" breaks, which is now something that is practised in an astonishing 500 kopitiams or coffee shops across town.

Kluang is Johor state's richest district – in terms of per capita gross domestic product – racing ahead of state capital Johor Baru with an average of RM22,294 (S$7,475) a person as of 2010 – a 21 per cent growth since 2000.

Johor Baru, sitting in the heart of the federal government-driven Iskandar development corridor, has grown a relatively modest 14 per cent in the same decade.

Kluang produces over a quarter of Johor's palm oil output, is a ceramics hub featuring two of Malaysia's top tiling companies, Guocera and MML, and is also home to a number of multinational firms, such as personal care giant Kimberly-Clark, German refrigerator maker Liebherr and French building materials firm Terreal.

Over the last decade, the town's old money has begun to create new money. In the mid-2000s, local developer Majupadu built the Kluang Mall using a capital-intensive and higher-risk model of full ownership of the shopping centre and leasing space to tenants, instead of selling lots off. This allowed Majupadu to control the tenant mix.

But the project struggled in the beginning, incurring losses with only 50 per cent occupancy.

But Majupadu executive director Tey Fui Kien was determined to succeed – having ditched the bright lights of Kuala Lumpur and a career in law to return home to Kluang.

The turning point came more than two years after the mall opened its doors.

Padini, one of Malaysia's biggest apparel brands, decided to open its first store outside of the capital cities and the Klang Valley in Kluang Mall.

This set the precedent for international brands like Cotton On, Uniqlo and even H&M, which had entered Malaysia only in 2012, to do the same in 2015.

"We see potential in Kluang in terms of customer base as well as good business conditions and store location, among other factors, and we are extremely encouraged by how well received the brand is in Kluang," said H&M spokesman Abby Wee, in an e-mail from the retailer's Singapore office.

More than 500 people queued up for the store's opening in Kluang. The mall now boasts 95 per cent occupancy, with a cineplex, bowling alley and what was the only Starbucks in the area.

According to Kluang Mall's 2013 customer survey, nearly a third of weekend footfalls were those of visitors from outside the district.

So many tourists from near and far have been flocking to Kluang that Mr Tan has had to divert demand from Singaporean tour groups for his Prime City Hotel – the district's largest inn – to other hotels that have come up in town.

KLUANG 2.0

Another key attraction is the 40ha Zenxin Organic Farm – Malaysia's largest – which features an organic restaurant and grocer, walking and bicycle tours, and a petting zoo.

Executive director Tai Seng Yee said there have been 500,000 visitors from Singapore since the farm opened its doors a decade ago.

The company returned to Kluang, where it had other food businesses. It opened up the farm to the public, believing that if people understood the process, they would believe in the product.

But for the 101-year-old town, these are just baby steps.

Both the Kluang Malaysian Chinese Association and Democratic Action Party have been pressing for recognition of the town's heritage.

In January, their efforts finally paid off, when an 8ha piece of land near the railway station was gazetted by the federal government. The move paves the way for the revitalisation of forgotten back lanes and historical sites.

With the railway line set for an upgrade to one that is electric and dual-track, and the much-vaunted HSR link from Singapore likely to include a station just 30km away, these separate developments could come together to make Kluang a new tourist hot spot.

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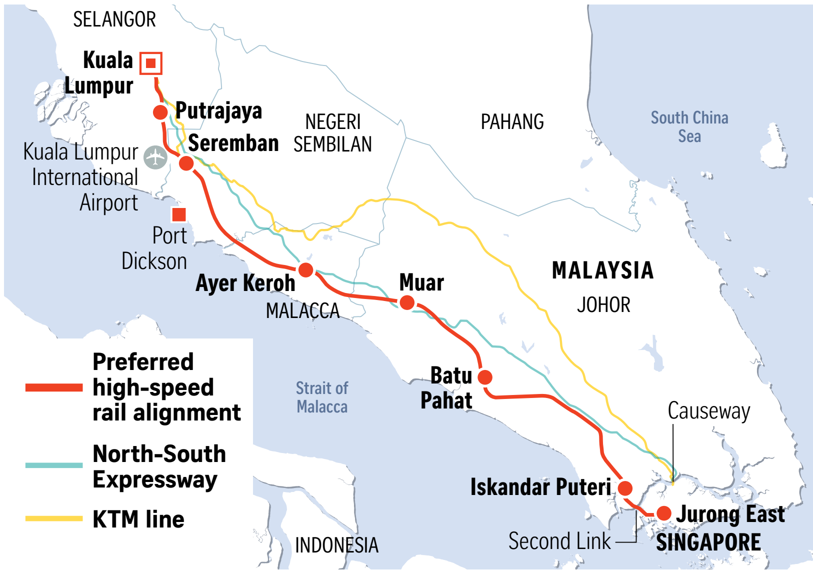
Singapore to KL: Getting up to speed

The dream of zipping from Singapore to Kuala Lumpur in 90 minutes has been progressing steadily. Here are some highlights.



STRAITS TIMES GRAPHICS

COST OF HIGH-SPEED RAIL

- Estimated: Expected RM50 billion (S$15.7 billion) However, one rail way expert said it could range from £15 million to £40 million (S$30 million to S$80 million) per km, depending on the complexity of construction. Going by a distance of 350km, this could mean a range of $10.2 billion to $27.2 billion.

COMPLETION DATE

- Now set for 2026.
- It will span 350km from KL to Singapore, with stops in Putrajaya, Seremban, Ayer Keroh, Muar, Batu Pahat and Iskandar Puteri.
- The Singapore stretch is 15km and mostly underground. The terminus station will be between two MRT stations, Jurong East and a new station along the Cross Island line.

TECHNOLOGY

- Two to three times faster than normal railways, with operational speeds likely to be 320km/h in Malaysia and 200km/h in Singapore. Travelling time between KL and Singapore is 90 minutes.
- The trains will run on an overhead catenary system, powered by 25Kw AC power, with one pair of tracks only, one track heading to KL and the other to Singapore.
- Advanced signalling system to monitor train locations and prevent collisions.
- Each 10-car train will carry 800-1,000 people.

Impact of High Speed Rail in Malaysia

- Kuala Lumpur is poised to become a leading global centre for multinational corporations
- There are plans to develop a 1,000-acre (404.6 ha) TechValley in Sendayan to attract SME manufacturing and research investments
- Malacca could attract more tourists and health tourists
- Batu Pahat could become the centre of design and manufacturing textile for Malaysia
- EduCity at Nusajaya could become a regional education hub

Source: The Star/Asia News Network

‘To be a runway economy, we need skills but we also need ideas’ Ong Ye Kung

PHOTO: ST FILE

Singapore is watching out for the report of the Committee on the Future Economy, which will set future directions for the country. Minister for Education (Higher Education and Skills) Ong Ye Kung shared his view on a few related issues at a forum organised by The Straits Times. Here are excerpts:

THE JOB MARKET

I think more PMEs (professionals, managers, executives) especially are getting unemployed, finding difficulty to re-enter the workforce and restart their career. And then there is also concern about slower job growth.

But the situation today is very different from 2008 when we had the Asian financial crisis. We could feel the tremendous job losses at that time.

Despite the tremendous numbers of retrenchment, we had a big emerging sector, which is the IRs (integrated resorts).

Today we don’t have that kind of big hiring sector, but there are still jobs. The jobs are scattered all over the place.

One clear evidence is graduate employment outcomes – and they are still bright.

Based on our latest Graduate Employment Survey, nine in 10 fresh graduates from our autonomous universities and polytechnics still find jobs within six months.

GROWTH AREAS FOR JOBS

IDA (Infocomm Development Authority) told The Straits Times that there were 150,000 technology professionals working in Singapore and that 15,000 vacancies could not be filled. Today, the IT industry is still crying out for talent.

Precision engineering is part of the $4.5 billion government transformation programme, and from now to 2020, it is estimated that it needs another few thousand engineers.

Railway: We are expanding our MRT lines. The Land Transport Authority and industry estimated we are short of 1,000 rail engineers.

Banks: DBS, Citibank combined have 1,200 vacancies, most of them in IT as well as compliance. Adding to the other banks, there are even more vacancies.

Healthcare is still very healthy. We have two big hospitals coming up – Sengkang General and Community Hospitals in 2018, Woodlands Integrated Healthcare Campus in 2022.

Each of them will need a few thousand healthcare workers, from doctors to nurses, enrolled nurses, patient health assistants and allied health assistants.

SKILLS MISMATCH

If you look at Singapore’s Job Bank from MOM (Ministry of Manpower), these are the three highest categories of job vacancies. (For) administrative support and service activities, about 40,000 vacancies are currently available.

With so many vacancies out there, why is it that the PMEs cannot find jobs? One likely hypothesis is skills mismatch.

Today, vacancy-to-job seeker ratio has gone below one, whereas traditionally we have always been above one. Second, over the years, the type of jobs has improved.

We’ve got more PME-type jobs. PMEs all require some kind of specialised skills. If the PMEs are unemployed, they need to acquire other specialised skills to find jobs, which makes them more susceptible to skills mismatch. That is one of the challenges today.

I went to the Singapore Business Federation to get a sense of what are the skills currently required for the hospitality sector. It needs competent supervisors and managers with a strong sense of responsibility, care and duty.

For the financial services sector, emerging and evolving skills include IT application knowledge and cyber-security analytics. On top of that, they are also looking at very strong numeric skills. Employees need to be multi-skilled.

RETRAIN AND RE-SKILL

We have to encourage workers to retrain and re-skill themselves to find new jobs. Employers or HR (human resources) too must be more flexible in hiring practices.

If organisations still hire based on academic results, then it’s not fair to the applicant. If organisations still hire people based on (their) years of experience in the relevant industry, then I think you have condemned yourself never to grow.

You have to be able to attract people from other industries with related skills into your industry.

COMMITTEE ON THE FUTURE ECONOMY (CFE)

I’ll touch on three themes that I think are quite relevant and may be some of the key thrusts of the CFE.

One is the runway – Singapore has a runway economy. Two, the importance of skills. Three, the importance of innovation.

I was in NUS (National University of Singapore) recently.

We had a dialogue where a student was asking, with arts and social sciences (degrees), can we find jobs when we graduate? And the data speaks for itself – 90 per cent of them found jobs after six months.

Why is that so? Because we were a control tower economy.

So many big MNCs (multinational corporations) and big companies use Singapore as their regional HQ.

And because of that, they need talents of all kind, because as a corporate HQ, you have finance, you have HR, you even have CSR (corporate social responsibility).

You can have planning, strategy planning, scenario planning, all kinds of function. And because of that, there is a demand for all kinds of talent.

But that’s not enough for the future. Beyond control tower economy, we also have to be the runway.

The runway of an airport is where all the logistics, the air crew... everything comes together and then the plane can take off.

And likewise, in terms of an economy, we have to be the place where ideas are conceived, business plans are developed, resources are put together and from here, products and services can be launched to the region or to the world and we can take off from Singapore.

First, skills will be different because you’re no longer just controlling, monitoring and managing things. You need skills that are practical and applied in nature. If you have to make things happen, you have to be a bit more gung-ho.

The second theme is SkillsFuture. It will continue to be a key feature of the CFE, because if we want to be a runway economy, we must be grounded on capabilities.

That is why MOE (Ministry of Education) is doing so much to develop applied skills.

CREATING JOBS FOR THE FUTURE

To remain competitive, we must be prepared to venture out of our comfort zone. Increasingly, companies are going to put a premium on people who can work overseas and live with those uncertainties.

If we want to be a runway economy, we need skills but we also need ideas – ideas different from what our competitors can come up with, which is why the third important factor is still innovation.

Today, Singapore’s R&D is right up there on the world’s radar screen, but what we really need to deliver is to make sure that much of this research translates into intellectual property, and then into commercial outcomes, jobs, companies and business ideas that can take off from Singapore.

Another one is regulatory sandboxes. Innovation by its nature is something new... and as regulators, our tendency when we see something we’ve never seen before is to say you cannot do (it).

But we really need to inculcate in all regulators that when you see something you have not seen before, always try your best to say yes. ❑

The Committee on the Future Economy

The Committee on the Future Economy (CFE), established in 2015, has been tasked with charting new directions for the Singapore economy. It is expected to present its recommendations early 2017. The committee, made up of a panel of business and government leaders chaired by Finance Minister Heng Swee Keat, has zeroed in on five key areas: the digital economy, jobs and skills for the future, Singapore as a connected city, innovation, and governance.

Taking the next step, again

Singapore’s economic profile has changed significantly over the last 50 years, thanks to a series of growth strategies designed to keep the country competitive. Here’s a look back on five decades of transformation, even as the Committee on the Future Economy charts a new way forward.

1960 – 1964
- 1960: First state development plan by UN team
- EDB set up to spearhead industrialisation effort, attract foreign investments
- Import-substitution approach, tariffs on imports

1965 – 1978
- Export-oriented approach
- Attract foreign investors to grow manufacturing and financial sectors
- Investments in infrastructure, nationalised companies in areas where private sector lacked expertise

1979 – 1985
- Shift to higher value-add and skills-intensive investments
- 1979: three-year wage correction policy to push up wages, induce efficient use of labour
- 1981: First productivity campaign, emphasising manpower development, automation

1985 – 1991
1986 Economic Committee Report
- Cost-cutting measures: reduce employers’ CPF rate, wage restraint
- Promote services – eg tourism & banking – as actively as manufacturing

1991 – 1997
1991 Strategic Economic Plan
- Growth Triangle network of Singapore, Riau Islands, Johor
- Move to developed economy: enhance human resources & soft infrastructure; help local firms expand abroad

1997 – 2001
1998 Committe Report
- Vision to become globally competitive knowledge economy
- Manufacturing and services as twin engines of growth
- Develop globally competitive local firms
- Government to be business facilitator

2001 – 2010
2003 Economic Review Committee
- Ensure competitiveness, cut corporate & income tax to 20% from 25%
- Flexible foreign worker policies
- National continuing education & training body recommended

2010 – 2015
2010 Economic Strategies Committee Report
- Raise productivity of workers in all sectors, with raising wages as end-goal
- Reduce reliance on foreign workers by raising levies progressively
- Budget 2010: National Productivity Fund set up, Productivity and Innovation Credit (PIC) introduced

2016 and beyond
2016 Committee on the Future Economy
- Chaired by Finance Minister Heng Swee Keat
- 30-member panel to focus on five key themes – new growth areas, corporate innovation, jobs, urban infrastructure, and connectivity
- Committee expected to complete work by end-2016

Source: MTI BT Graphics: Kelly Tay & Lynette Neo

Yasmine Yahya
Assistant Business Editor, The Straits Times

Banks and the barbarians at the gates

Fintech start-ups spur big change as bank profits and jobs come under siege

ST ILLUSTRATION: **MANNY FRANCISCO**

You've just bought a designer bag using a credit card. An hour later, you receive a text message on your smartphone from the bank that issued the card: "We've found you a pair of shoes and a dress that match that bag you just bought. Together, they would make the perfect outfit for the Bentley event you noted on Facebook which has a black-and-gold theme. If you buy the shoes and dress with the same credit card in the next seven days, you'll get 10 per cent off."

Sounds futuristic but the technology to do all these is already available today.

As soon as businesses and banks decide to collaborate and tap mobility, big data, social media and cloud computing, this scenario will become reality.

Financial institutions (FIs) all over the world are now testing out cutting-edge technology that will enable them to interact with customers more intimately and provide more efficient and intuitive services. They are harnessing big data to learn more about customers, using artificial intelligence (AI) to analyse consumer behaviour, and investing in technology to make their back-end operations smarter.

THE DIGITAL REVOLUTION

This is not another glimpse into the future. This is happening today. According to Accenture's senior managing director for financial services, Mr Jon Allaway, a bank in Hong Kong in 2015 teamed up with Australian start-up Moroku to run just such an experiment at the Accenture FinTech (Innovation) Lab, with a view to implementing it in real life.

"They brought in a sample group of customers of varying ages, ethnicities and backgrounds. The relationship managers with the prompting from the AI system were twice as likely to close the deal," he says.

It is important for FIs to conduct experiments like these, which make use of digital solutions, robotics and AI, to raise their game because the barbarians are at the gate, Mr Allaway warns.

"Banks that are not investing in innovation stand to lose 32 per cent of their revenue to disruptors in the next two to three years. And it's not just the magnitude of revenue loss they should be concerned about but the type too – the loss will come from their future customers, the millennials."

These "disruptors" are fintech start-ups – small, agile players that make good use of cutting-edge technology and social networks to deliver innovative products traditionally offered by FIs.

According to consultancy McKinsey & Company, there were some 12,000 fintech start-ups globally in August 2015. The number has undoubtedly risen by hundreds more today, and these "digital attackers" pose a real threat, McKinsey adds, particularly in retail and consumer banking.

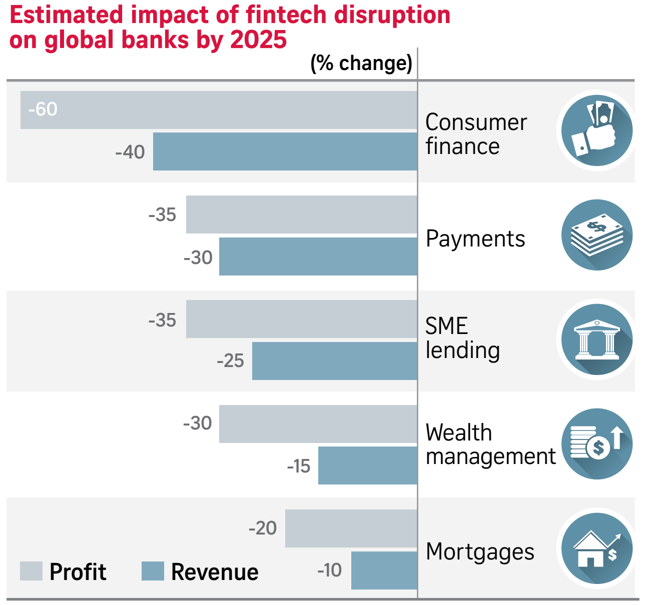
"We estimate that in… consumer finance, mortgages, small and medium-sized enterprise (SME) lending, retail payments and wealth management, 10 to 40 per cent of revenues will be at risk by 2025, and between 20 and 60 per cent of profits," it said in its Global Banking Annual Review in 2015.

Attackers will likely capture only a small portion of these businesses, McKinsey notes. Most of the banks' losses will come from having to drive prices lower just to compete.

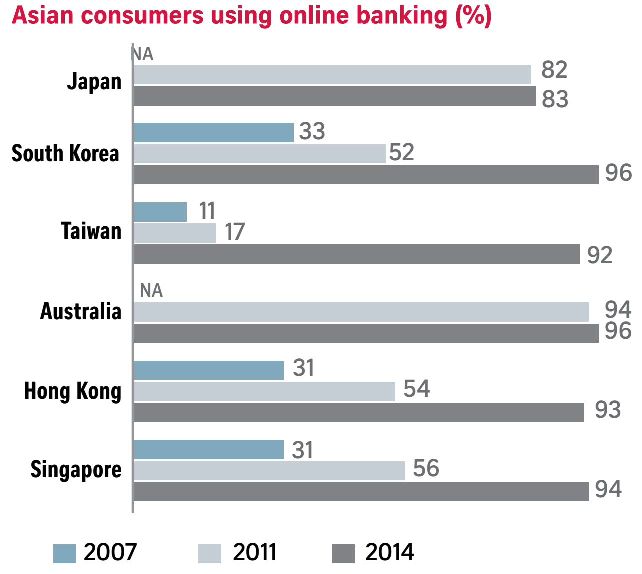
DBS chief executive Piyush Gupta believes technology is challenging the very role of banks in society.

FINANCE DISRUPTED

The growth of financial technology (fintech) start-ups, the rise of automation and robotics, the increasing adoption of online and mobile banking among consumers and the ever-increasing need to cut costs will dramatically alter the global financial sector in the next five years and beyond. The impact on jobs and profits will be massive.



Source: MCKINSEY GLOBAL BANKING ANNUAL REVIEW 2015



Source: MCKINSEY ASIA PERSONAL FINANCIAL SERVICES SURVEY

Mobile technology has made banking "invisible", allowing consumers to obtain loans, buy insurance or transfer funds on the go using devices such as smartphones.

In fact, anyone can be a banker today by disbursing loans or capital on a peer-to-peer lending or crowdfunding platform. Peer-to-peer lenders are fintech start-ups that allow individuals to borrow not from banks but from investors and other consumers.

And then there's the mammoth in the room known as blockchain technology. It is the technology that underpins the virtual currency bitcoin, but it can actually be applied across any industry. At heart, it is simply a "distributed" database of information, which also tracks changes made to that information. It is "distributed", because it is not centralised in one location – say, a bank – but can be accessed by everyone who has rights to the information in the database.

So imagine a future in which you could trust any investment or savings platform because it was backed by blockchain technology and you could easily verify transactions yourself. You might no longer need to rely on a bank to store your money.

"As an individual investor, you might not know who you want to take a risk on. So you give the money to the bank because the bank is safe, and the bank makes the choices of where to invest the money," Mr Gupta notes.

"But if there's a mechanism which offers you complete transparency on who you're taking risk on, and you get to a stage where you're willing to trust that mechanism, then the trust role of the bank disappears."

Accenture's Mr Allaway says blockchain has the potential to cut transaction costs for companies by as much as 80 per cent, as it will eliminate many layers of documentation and checks.

"It will take a consortium of banks to unite and do it together, instead of them trying to build all their cash management and trade processing platforms themselves. And if this was funded in part by the Government as well, to get the seed money going, then I think we're on to something special," he says. "If we don't do it first, imagine what would happen if Hong Kong does."

THE SINGAPORE SCENE

Citi notes in a recent report that the fintech disruption is still at the periphery in Europe and the US. China is the exception, it says.

"Internet giants have moved into financial services and gained considerable market share in e-commerce and third-party payments. These new entrants were faster than the banks to offer convenient, reliable, fast and cost-efficient alternatives to traditional bank payments."

China's fintech companies often have as many, if not more, clients than the top banks.

Elsewhere, "there is limited revenue loss in developed market banks' core business from fintech", Citi says. In the US, peer-to-peer lenders account for only a tiny share of total loans, while assets under management by robo-advisers are only scratching the surface of the wealth industry.

The picture is much the same in Singapore. There are a few crowdfunding platforms that target a small market. They have platforms on which investors of all stripes can get together to offer loans to SMEs that would likely be turned away by banks. In return, these lenders stand to earn a high interest.

But by and large, when it comes to their financial needs, most companies and consumers here still look to banks first.

Robo-advisers, which are online wealth management services that provide automated, algorithm-based portfolio management advice without the use of human financial planners, have yet to make headway here. Nor have fintech players in services such as insurance or fund transfers made inroads into the Singapore market.

Still, that is not to say that nothing much is happening in the fintech scene. In fact, the Government has been taking steps to ensure Singapore stays ahead of the curve by becoming a fintech hub.

Deputy Prime Minister Tharman Shanmugaratnam even said in April that regulation should not be so onerous that it suppresses companies' ability to experiment in fintech. Singapore will not regulate fintech firms like it does banks until they reach a "meaningful scale" that can cause broader risks to the system, he said.

The Monetary Authority of Singapore (MAS) has also made a strong push to develop the fintech ecosystem here. It set up an in-house unit to promote the sector in 2015 and has committed to invest $225 million over five years in fintech.

Regulators from the two markets will also put fintech firms in touch with their counterparts overseas and share information on financial services innovation in their individual markets.

Singapore's banks are not sitting idly by as these developments unfold. They are facing the oncoming threat of fintech disruption by investing millions of dollars in setting up their own innovation labs and experimenting with the latest technologies to stay ahead. Many have also started their own fintech incubator or accelerator programmes, through which they identify promising start-ups, groom and help them build better business models

These efforts have borne fruit. Early 2016, DBS Bank teamed up with a Hong Kong-based fintech start-up, AMP Credit Technologies, to assess the credit risk of small businesses so they can obtain short-tenor unsecured loans from DBS.

United Overseas Bank has tied up with Israeli fintech OurCrowd to allow its SME clients to obtain funds through OurCrowd's equity crowdfunding platform.

OCBC Bank has gone a step further to launch its open application programming interfaces (API) platform. APIs are sets of requirements – routines and protocols – issued by a business or institution that determine how one application communicates with another.

The APIs are free for use by software developers, who can now tap them to create apps embedding, for example, OCBC's foreign exchange rates or information about OCBC bank branches.

With things progressing quickly , it is not a stretch to say that Singapore's finance industry could look vastly different in the next 10 years.

Indeed, Singapore's ultimate goal is to change the way its financial system operates, DPM Tharman said in April. "Our aim is not to see if we can be above other financial centres, but to push the envelope and transform finance, to encourage players to find new ways of doing the business, and in a way that makes more sense to the customer... Transforming finance to be more tailored to their needs, something that's, if possible, cheaper or more convenient and accessible to the customer."

As long as things progress the way they are, the future is likely to be a win-win for Singapore's consumers and its finance industry.

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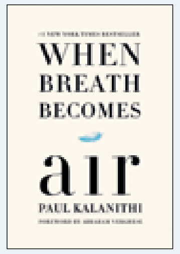
BESTSELLERS

1. When Breath Becomes Air

by Paul Kalanithi



An emotional memoir by US-based, Indian-American neurosurgeon Paul Kalanithi who grapples to come to terms with his inoperable lung cancer, which he discovered at the age of 36. It gives the reader rare insights into the challenges of the severely ill.

2. Never Give Up: Jack Ma In His Own Words

by Suk Lee and Bob Song

The authors pull together more than 200 quotes on business values, innovation, entrepreneurship, competition, management and other themes to give an insight into the mind of Mr Jack Ma, who founded and leads, e-commerce behemoth Alibaba.

3. Warren Buffett's Ground Rules

by Jeremy C. Miller

A veteran investment analyst uses 33 letters that Mr Warren Buffett wrote between 1956 and 1970 to his partners at the company he founded, Buffet Partnership Limited, to share his "ground rules" for investing which remain relevant today.

4. Elon Musk

by Ashlee Vance

An insight into the mind of the one of the most watched technopreneurs today, who leads rocket company SpaceX and electric car maker Tesla Motors.

5. Good Leaders Ask Great Questions

by John. C Maxwell

The author emphasises the importance of questions and questioning in this book. He outlines what good questions are, the questions we should ask ourselves as leaders and those that we should be asking our teams.

6. What Successful People Know About Leadership

by John C. Maxwell

The leadership expert responds to some of the most frequent questions posed to him by people at different stages of their careers.

7. Virtual Billions

by Eric Geissinger

The book focuses on the phenomenal success of bitcoin by sharing stories of the people behind it.

8. Mochtar Riady: My Life Story

by Mochtar Riady

This is the story of the renowned philanthropist and business titan who is widely regarded as a pioneer in Asia's banking and real estate sectors.

9. Connectography

by Parag Khanna

The geopolitical expert's book attempts to address the question of how to keep people gainfully employed in an expanding global economy.

10. The 21 Most Powerful Minutes In A Leader's Day

by John C. Maxwell

Maxwell distils all he has learnt over four decades into a list of essentials to developing leadership.

This list is based on a recent compilation of non-fiction bestsellers in Singapore, by The Sunday Times.

Nirmala Ganapathy
India Bureau Chief, The Straits Times

Boardroom wars @ Tata Sons

Tata Group interim chairman Ratan Tata does not always come across as a typical businessman. He admits being shy, has spoken of the need to be humble and has even admitted that one of his weaknesses is not communicating enough with people.

The 78-year-old bachelor is India's most respected businessman and is recognised globally for converting Tata Group from a US$1.5 billion (S$2.07 billion) Indian firm into a multinational conglomerate with revenue of over US$100 billion.

But some of that larger-than-life image might have taken a hit over the dramatic dismissal of Mr Cyrus Mistry, who was chosen in 2012 to carry forward Mr Tata's legacy but was suddenly sacked in the week of Oct 24, 2016.

In a letter to employees, Mr Tata, accused by 48-year-old Mr Mistry of interference in company matters, said he had agreed to come out of retirement after four years "in the interest of stability of and reassurance to the Tata Group".

In a five-page e-mail to the board of directors at Tata Sons, Mr Mistry claimed he had little say in many matters, such as the tie-up between Tata Sons and Singapore Airlines to start domestic airline Vistara, and another venture with AirAsia.

"Being pushed into the position of a 'lame duck' chairman, my desire was to create an institutional framework for effective future governance of the group," wrote Mr Mistry. He claimed that the company was looking at a writedown of around US$18 billion on five businesses.

The Tata Group is a 148-year-old business house with more than 100 operating companies in India and abroad. It has interests in consumer goods, aviation, wristwatches, cars, steel, software outsourcing, telecommunications and hotels.

The fallout dominated headlines in India, where companies rarely air their dirty linen in public.

From one side, there are claims that Mr Mistry, who brought in more than 100 people at different levels over the last four years, had come up repeatedly against the old guard. They maintained that tensions had been simmering particularly over the last one year, in part due to disagreements over business strategy.

Among Mr Tata's pet projects was the Tata Nano project to develop the world's cheapest car at 100,000 rupees (S$2,100) to make vehicles affordable for millions of Indians. The Nano did not do well in a country where people did not want to be seen in a car branded as the world's cheapest. Mr Mistry was in favour of shutting down the Nano project.

The Tata Group has in return accused Mr Mistry of "repeated departures from the culture and ethos of the group", but he is no stranger to the group or the Tata family.

His father owns the single largest share in Tata Sons at 18.5 per cent. The senior Mistry vacated his seat on the board for his son, who took over in 2006.

The Mistrys and the Tatas – old business families from Mumbai – have close links as well. Mr Mistry's sister Aloo married Mr Tata's half-brother Noel.

Mr Tata grew the conglomerate on the back of India's economic liberalisation over two decades.

He now faces the challenge of pulling the group out of the current controversy and choosing a new chairman, while convincing everyone that one of India's most stable business houses is not in trouble.

"Certainly, (this episode is) a significant blow to (Mr Tata's) image, considering the overnight change in the leadership," said Mr G. Chokkalingam, founder of Equinomics Research and Advisory.

Meanwhile, many believe that Mr Mistry, who is still on the board of many Tata companies, holds the key to how this battle will end and that he has won the first round in the battle with his e-mail.

"It all depends on Mistry, whether he wants to be acrimonious or amicable," said InGovern Research Services founder Shriram Subramanian.

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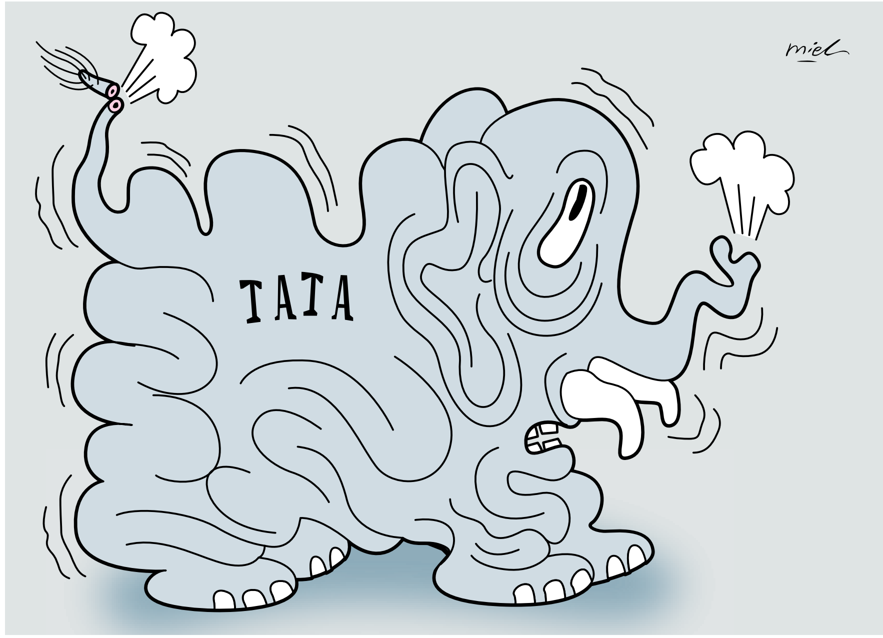


ST ILLUSTRATION: MIEL

Tata Group interim chairman Ratan Tata and Mr Cyrus Mistry who was ousted as chairman in October. **PHOTO:** REUTERS

Jermyn Chow
Taiwan Correspondent, The Straits Times

Taipei's beating heart

The iconic 125-year-old train station has been witness to many historic milestones in Taiwan

A view of the 125-year-old Taipei Main Station, which has been newly renovated. Served by high-speed rail, metro and regular train services, it is now an important transport hub for Taiwanese people and tourists who travel within and out of the capital.
PHOTO: WEI HSINYEN, FOR THE STRAITS TIMES

Whenever Taipei Main Station faces an electrical issue, Mr Yang Ting-feng becomes Mr Fix-It.

A skilled calligrapher, the 63-year-old station staff member was the go-to person when new notices and signboards had to be written to guide commuters.

For around 10 years, his elegant cursive penmanship could be seen throughout the station. But Mr Yang's handwritten signs were eventually replaced by electronic boards.

"While it is a lot easier with the computer and the fonts are standardised and more modern, the signs and notices lack that personal touch," he ruefully observed.

Mr Yang has seen plenty of change since he started working in the station in 1976, but the iconic building in the heart of Taipei has weathered the ups and downs of Taiwan's fraught history for even longer.

The station traces its roots back to 1891 when the first railway tracks were laid along the Tamsui River, linking Keelung, Taipei and Hsinchu. At that time, it was a freight station used for the transportation of cargo.

During the Japanese Occupation (1895 -1945), a modern-looking station was constructed on the current site about a kilometre from the old building and named the Taipei Railway Station.

Since then, the station has witnessed many of the island's milestones: the Kuomintang government fleeing to Taiwan after losing the civil war in 1949, as well as three power transitions since free elections were allowed in 2000.

In 2015, it was renamed Taipei Main Station to reflect the many modes of public transportation that now converge at the address.

To celebrate its 125th anniversary this July, the station, which the rail authorities now refer to as a "fifth-generation" station, has undergone a facelift.

Besides a new leak-proof terracotta roof, the station boasts a new lighting system that casts the building in lights of different colours every day.

The Taiwan Railways Administration (TRA), which runs the station, will free up more commercial space for retail, dining and even hotels when its offices move out of the station by 2021.

"Everyone talks about Taipei 101 but it doesn't have the kind of history like the Taipei Main Station," TRA director-general Chou Yung- hui told The Straits Times, referring to the landmark skyscraper which, at 509.2m, is the world's eighth-tallest building. "But the station also has to represent the future in order to be an enduring landmark of Taiwan that people can remember," Mr Chou added.

From a single-storey building that was about half the size of a football field in the 1950s, it has since grown to a massive six-storey complex with four basement floors.

Served by the high-speed rail, metro and regular train services, it is now an important transport hub for Taiwanese people and tourists who travel within and out of the capital.

The Taipei Main Station sees about 600,000 commuters and visitors each day. Numbers are expected to hit 700,000 when the MRT linking Taoyuan Airport and Taipei City opens at the end of 2016.

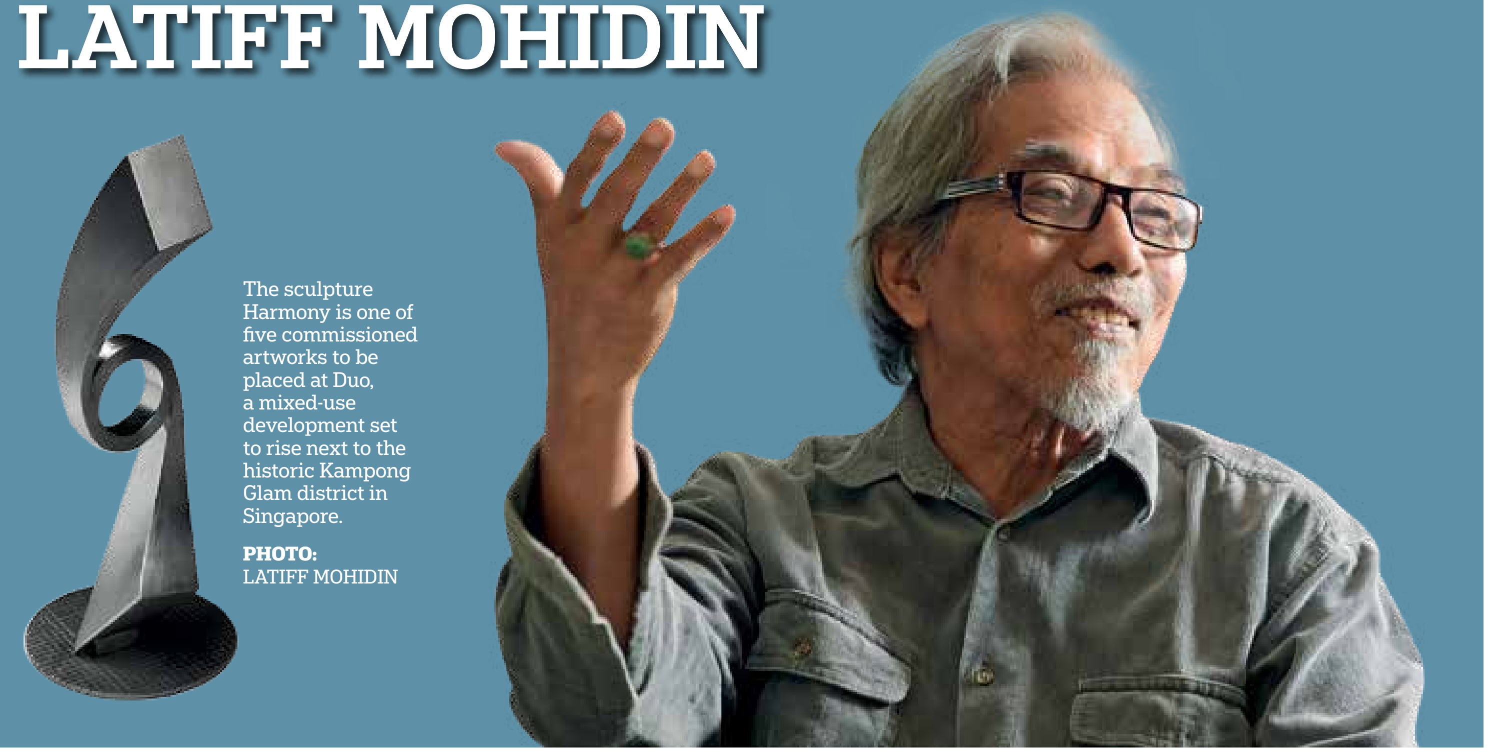
jermync@sph.com.sg ❑

Mr Yang Ting-feng has been working in the station since 1976. **PHOTO:** ST FILE

The station sees around 600,000 commuters and visitors each day. Numbers are expected to hit 700,000 when the MRT linking Taoyuan Airport and Taipei City opens at the end of 2016. **PHOTO:** ST FILE

The station has become a popular hangout for young Taiwanese and foreign workers. On weekends, many of them sit on the black-and-white-tiled lobby floor and turn it into a picnic area. **PHOTO:** ST FILE

Asian Artist
LATIFF MOHIDIN



The sculpture Harmony is one of five commissioned artworks to be placed at Duo, a mixed-use development set to rise next to the historic Kampong Glam district in Singapore.
PHOTO: LATIFF MOHIDIN

PHOTO: ST FILE

Lee Jian Xuan
For The Straits Times

Malaysian artist Latiff Mohidin first arrived in Singapore from his hometown in Negeri Sembilan in 1949, when his father moved here for work.

As a scruffy, carefree boy, he would hang around the Bugis Street area, hawking curry puffs for pocket money.

"The whole of Beach Road was my playground then. We used to have a house in Arab Street and my father's office was in Java Road," recalls the soft-spoken 75-year-old, who evinces a razor-sharp memory as he easily reels off names and life events.

Almost seven decades later, Latiff, now an accomplished poet, painter and sculptor, will display one of his sculptures in Duo, a soaring upscale mixed-use development set to rise up next to the historic Kampong Glam district, where he once lived.

"It's amazing, as if God designed it to be. I never thought, while I was selling epok-epok (Malay for curry puff) here, that one day, my artwork would be shown in the same area," he tells The Straits Times.

He was in town to oversee the installation of Harmony, a 9m-tall stainless steel sculpture that will stand in the central plaza of Duo.

It is one of five artworks that have been specially commissioned to be placed at Duo – the others are by Singaporean artists Sun Yu-Li, Baet Yeok Kuan and Lim Leong Seng, and Malaysian artist Grace Tan.

Together with the Marina One mixed-use development project, Duo is part of the commercialisation of land parcels under the Singapore-Malaysia railway land swop deal inked in September 2010. Designed by the award-winning German architect Ole Scheeren, it is set to open in 2017.

Latiff says the inspiration for his artwork stemmed from his observations of nature, one of his favourite topics.

"Essentially, it is two leaves meeting each other and forming a loop in the middle, like the motif for bamboo shoots. Philosophically, I thought of it as yin and yang, when two forces come together and complement each other," he says.

The title of the artwork also signifies the harmonious relationship between the two countries, geographical neighbours with a shared past.

Latiff adds: "When I came to Singapore, I realised there were Javanese, Chinese, Indians, Malays here. I understood the true meaning of harmony. It was a wonderful cultural shock."

Latiff is a celebrated artist whose works are prominently displayed in Malaysia. His abstract stainless steel sculptures are displayed at the Petronas Twin Towers in the country's capital, Kuala Lumpur.

Latiff's 1968 painting, Pago-Pago Forms, was sold for S$189,000 in 2011 at an auction in Malaysia.
PHOTO: NATIONAL HERITAGE BOARD

Over a career of 65 years, he has studied art in Europe, experimented with painting, sculpture, print-making, translated literature, composed poems and published books.

His 1968 painting, Pago-Pago Forms, was sold for RM572,000 (S$189,000) in 2011 at an auction in Malaysia.

The grandfather of eight is now based in Penang, where he lives with his homemaker wife, 63. They have a son and four daughters.

He says: "I do a lot of things, from sculptures to making prints to poetry, so I often shift between these modes. All year round, I'm doing different things and I don't get mental block. At my age, I don't wait for inspiration to come. I just carry on." ❑