

## **\$64m question for Singapore: Will Trump double down on campaign vows?**

**Kelly Ng**

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The election of Mr Donald Trump as the 45th President of the United States earlier this week has sent ripples around the world — and while it is much too early to tell if President Trump will be a mirror image of Candidate Trump, these are nervous times for Singapore.

As a candidate, Mr Trump's campaign rhetoric, insults and behaviour left many aghast. His vows to build a wall to keep Mexicans out, to get tough with China, and force allies to pay more to benefit from the American security umbrella raised many an eyebrow, and led to much hand-wringing.

Now that he is the leader of the free world, there is much expectation that, as is the well-established pattern of politics, there will be some dialling back of the fire and brimstone as he gets down to the business of governing.

His acceptance speech and the remarks he made after meeting outgoing President Barack Obama yesterday certainly suggest so. Mr Trump appeared conciliatory, promised to represent all Americans, and called it an "honour" to have talked at length with Mr Obama, despite the obvious dislike both men have for each other.

The two public appearances after his election victory have given pause to those who have said that Mr Trump's administration will be anything but presidential.

That is the hope, anyway.

For Singapore, the stakes are high, experts interviewed by TODAY said. The populist fury against globalisation and migrants, among others, that propelled Mr Trump to the most powerful position in the world will not be easily put back in the bottle, and while it is practically inconceivable that the American isolationism of the 1930s will return, many expect a US withdrawal of sorts.

Singapore — as one of the most open economies in the world — stands to lose a lot if this comes to pass, the experts said.

Over the decades, the US has become "deeply interlocked and intertwined in both the political and economic affairs of the world", Iseas-Yusof Ishak Institute fellow Dr Mustafa Izzuddin noted. "What we may see from Mr Trump is not isolationism, but where interventions are likely to take place only if it is in the interest of the national security of the US. The Trump administration is not likely to withdraw completely from international affairs, but the role of the US in international affairs will be unequivocally premised on domestic interests and exigencies," he said.

Ambassador-at-Large Chan Heng Chee, who was Singapore's Ambassador to the US between 1996 and 2012, said that, while Americans who voted for Mr Trump "really are against globalisation", her sense is that the new administration "may try to push for what they consider 'fairer trade'".

“But I cannot see the US completely not trading in the world. No, they have too much at stake,” she said.

It is not all about dollars and cents, however. The US plays a central role in the security architecture of the region, and Mr Trump’s apparent disavowal of American commitments to the region during his campaign left many worried. He assuaged some of that worry on Thursday, when he called South Korean President Park Geun-hye and promised to uphold their alliance as a bulwark against North Korea, but the switching of his positions has already given rise to nervousness.

One thing there is little doubt about is America’s commitment to fighting terror. Mr Trump had some choice words about Islamic State, and Mr David Adelman, the US Ambassador to Singapore from 2010 to 2013, told TODAY that he has “every confidence the incoming administration will continue to lead the fight against terrorism”. This extends to other aspects of security, too. “Since the end of the Second World War, the US has been at the forefront of international cooperation on security issues,” said Mr Adelman, now a partner at law firm Reed Smith LLP in New York. “That leadership is likely to continue.”

Away from the immediate impact of a new, blustery US Commander-in-Chief, the voter fury that led to Mr Trump’s victory holds lessons for Singapore, those interviewed said.

As Prime Minister Lee Hsien Loong himself and others have noted, the election result shows the direction Western democracies are trending towards — turning their backs on globalisation, which they see as being responsible for many of the ills afflicting the lower and middle classes, while further enriching the already well-off.

Migration is a sharp issue, too, and is blamed for a host of problems — both cultural and economic. Those issues have already cropped up in Singapore: The 2011 General Election, where the ruling People’s Action Party posted its worst showing since independence, and the public outcry over the Population White Paper in 2013.

Noted Prof Chan: “It is important to practise inclusive politics. That is the lesson of Brexit, that is the lesson of the US presidential election. This means you must make sure that no group is left behind, that you do not make any group feel they are excluded. And I think Singapore has been doing that in the past few years.”

Referring to last week’s announcement by the Government to extend compulsory education to children with special needs, Prof Chan added: “Our policies are getting better and better at inclusion. I think we are dealing with these issues. America did not, and Britain did not.”

## **RISKS FOR TRADE-DEPENDENT S’PORE**

Mr Trump’s journey to the White House, which concluded with a stunning victory on Wednesday, has underscored deep fissures between the liberal elites and those disenfranchised by globalisation in America.

Exit polls reported by The New York Times showed that two-thirds of white American voters without a college degree had voted for Mr Trump, who also attracted more than half of the votes of the middle class.

By all accounts, Mr Trump's win is, in part, fuelled by a backlash among large sections of American voters against how globalisation and free trade have widened economic inequality and deeply wounded many working-class communities.

While it remains to be seen whether the isolationist policies Mr Trump campaigned for will come to pass, economists and international relations experts TODAY interviewed felt that the Trump administration is likely to adopt a more protectionist stance, resulting in both near- and long-term risks to Singapore's trade and economic growth.

In particular, Mr Trump has vowed to stop the Trans-Pacific Partnership (TPP) — a free-trade agreement among the US and 11 other Pacific Rim countries, including Singapore — and wants to renegotiate the deal, which would unravel the entire package. Without ratification by the US, the largest regional trade accord in history — representing 40 per cent of global gross domestic product — would be dead in the water.

Credit Suisse analysts have singled out Singapore, along with Hong Kong and Vietnam, as the “most vulnerable” countries if the US adopts a more hostile trade policy. Singapore could also be indirectly affected if the Trump administration imposes tariffs and restricts the flow of imported goods from China.

“Because we are all linked by a supply chain to China, whatever is bad for China is probably not going to be good for the rest of Asia,” said Mr Vishnu Varathan, head of Economics and Strategy at Mizuho Bank's Asia & Oceania Treasury Department.

There is also concern about Mr Trump's proposals to impose a 35 per cent tax on products made by companies that move their production from the US to other countries. This could affect investment activity in Singapore, given that the US has consistently been the top source of foreign direct investment for the Republic. Moreover, a significant portion of US investments in the region flows through Singapore's financial system, noted UOB economist Francis Tan. “A lower volume of fund flows will impact our financial industry immediately,” he said.

Mr Trump has pledged to “make America great again”, as his campaign slogan went. Economists noted there could be silver lining, should the Trump administration adopt a more expansionary fiscal stance. Said Mr Tan: “There could be a bigger fiscal push to improve economic growth during his term ... the rise of the American consumer will mean more imports from the world.”

Agreeing, Mr Vishnu added: “In a way, he is addressing the call of a lot of central bankers who have said that it is up to the governments now to take up the mantle ... In a strange way, Mr Donald Trump has been the answer that central bankers have been looking for, even though no one would publicly admit that.”

Mr Vishnu noted that Mr Trump's public statements on the TPP and North American Free Trade Agreement, for example, may be mere posturing. “He is looking to strike a better bargain rather than walk out of the shop,” he said.

During his campaign, Mr Trump claimed Singapore was among the countries that are “stealing” jobs from Americans. But experts dismissed it as little more than electioneering. “When Trump takes office, he is going to have a lot of things to worry about. Ruffling feathers with small countries like Singapore doesn't seem to be part of that,” said Assistant Professor

Dr Evan Resnick, who coordinates the S Rajaratnam School of International Studies' (RSIS) US Programme. The US regularly maintains a trade surplus of over US\$10 billion (S\$14 billion) with Singapore.

Apart from Singapore, Brunei is the only other Association of South-east Asian Nations member that has a trade surplus with the US, noted Mr Harry Sa, research analyst of the RSIS' United States Programme.

Mr Dwight Hutchins, who chairs the American Chamber of Commerce in Singapore, stressed that trade is trade, and politics is a separate matter.

The economic ties between the Republic and the US are "grounded in national interest, not politics", he said, and "have thrived and grown across a variety of Democratic and Republican administrations over the past 51 years". He was adamant that trade ties will continue to prosper, and will be at the forefront of attempts to press the new administration "for energetic engagement between the United States and economies of the Asia-Pacific to the mutual benefit of all".

### **A MORE OR LESS SECURE REGION?**

Mr Trump has spoken of an "American First" foreign policy where he wants the US' allies in Europe and Asia to take on more of the financial burden for their defence, or they would be left to defend themselves. US Presidents past and present have pushed for greater financial contributions from the country's allies, said Dr Resnick. "Trump is amplifying the same demand in rhetorical terms," he said.

Nevertheless, he noted, if the US "washes its hands off allies in Europe and Asia, and concentrates only on affairs at home", it will be giving the "green light" to aggressive overtures from other major powers such as China and Russia. Pointing out that Mr Trump had spoken about China "almost exclusively in economic terms" during his campaign, he said the President-elect seems "less interested in protecting the global rules of the game to the same degree as Obama was".

"It is conceivable that Mr Trump's beef with China is primarily economic, and he really cannot care less, one way or the other, whether China claims the Spratlys," Dr Resnick added.

However, Mr Sa felt that Mr Trump could view the South China Sea dispute as another area to in which "confront China". To Mr Trump, the spat is "more proof of a rising China and a reminder of how weak the US has become", Mr Sa said. "It can go both ways. He may no longer consider such matters a part of American concern. On the other hand, he may see it as another arena to confront China ... It's safe to say that neither is ideal for the region."

Nevertheless, RSIS security expert Kumar Ramakrishna said that Mr Trump's commitment to boost defence spending and strengthen the US military "could, in fact, have a stabilising effect" on the region. "A lot depends on what he actually does once in power," he said.

Mr Trump's anti-terrorism policy will also be closely watched, given its implications for Singapore and the rest of the region. Some experts felt that if he carries his election rhetoric into office, it would spell trouble. His hardline rhetoric towards Muslims may "potentially destabilise" social cohesion in the US and possibly in the nation's strategic partners that have

significant Muslim communities, Assoc Prof Kumar said. Terrorist outfits may seize upon divisive policies as an “effective recruitment tool”, Mr Sa noted.

“Every one of Mr Trump’s foreign policies would only serve to exacerbate the problems of terrorism, not just in South-east Asia, but throughout the world. Terrorist organisations will use these policies as an effective recruitment tool,” said Mr Sa.

## LESSONS FOR S’PORE

In the analyses that followed Mr Trump’s shock win, many called it a repudiation of the establishment and a revolt against the elites. That ultra-nationalist sentiments propelled an untested politician into the White House and took Britain out of the European Union holds lessons for Singapore, political analysts say.

In fact, Singapore has experienced such a phenomenon not too long ago, in the 2011 GE. In hindsight, this was a “mini anti-immigrant Brexit vote” in the Singapore context, experts said. The PAP won 60.14 per cent of votes, the lowest since independence.

“Singaporeans were unhappy at the influx of foreigners ... and poor planning on the Government’s side in not preparing for the huge rise in the population,” recalled former PAP Member of Parliament Inderjit Singh. “Infrastructure like housing, transport, hospitals were not able to cope with the influx ... Costs of living increased while wages stagnated,” said Mr Singh, who retired from politics before last year’s General Election.

Two years later, a Population White Paper setting out land use and infrastructure planning for a population of up to 6.9 million by 2030 sparked several protests, and the Government took steps to address citizens’ unhappiness.

Besides scaling back foreign workforce growth significantly, more funds went to social policies centred on lower-income Singaporeans and the elderly — with Deputy Prime Minister Tharman Shanmugaratnam saying the Cabinet has shifted more left-of-centre.

**This re-tuning of government policies has helped to “bring the temperature down on the anti-immigrant sentiment”, said Dr Gillian Koh, deputy director for research at the Institute of Policy Studies.**

But analysts said politicians and policymakers must remain attuned to and address the roots of any display of xenophobia here. Mr Singh added that politicians must keep their ear to the ground and maintain close relationships with residents.

“As we saw in the US elections and Brexit, it is becoming increasingly difficult to understand real ground sentiments. Political parties need good MPs who really understand people and their needs and aspirations,” he said.

Associate Professor Eugene Tan, a law professor at the Singapore Management University, said “pockets of xenophobia” should not be dismissed as they may point to “real grievances, fears, and angst”.

He added: “While the Government should not pander to the extremes, it has to be mindful of the gradual erosion leading to the breakdown of trust and confidence of the masses in the

establishment ... It is imperative that the Government genuinely engages the people and attends to their concerns.”

Assistant Professor Woo Jun Jie from Nanyang Technological University’s School of Humanities and Social Sciences said work must continue on integrating immigrants and foreign workers. Beyond that, political leaders will need to “maintain the ideological strength and attractiveness of core values such as multiculturalism”, he added.

As the US election results show, the perception that elites are gaining disproportionately from growth could spark a strong pushback. Singapore, too, must keep a close eye on income and wealth inequalities, said Assoc Prof Tan. The challenge is in ensuring benefits from globalisation are shared equitably while its downsides are carefully managed and mitigated, he added.

Experts agree that the Government has made progress in addressing the income gap, among other hot issues, since 2011 — resulting in a resounding victory for the PAP at the polls last year. Still, Mr Singh said the efforts have not been “widespread and broad-based”. “If we fail to improve the standard of living for Singaporeans, the discontent against foreigners and new immigrants ... will come back and haunt the government,” he added.

While these challenges are real, it bears noting that Singapore’s political institutions are “in a much healthier state” than the US’, said Asst Prof Woo. “While Mr Trump’s rhetoric against immigration has garnered much public support, it is also his ‘outsider status’ in Washington politics that has contributed to his appeal to supporters. Singapore does not face these problems of interest group lobbying,” he said.

Mr Trump’s victory and the Brexit vote also show that populist politics can lead to collective decisions that come with significant social and economic costs, the experts said. And if the electorate understands this, it may “ironically tamp down the emergence of any potential nationalist or xenophobic sentiments”, said Asst Prof Woo.