

Coronavirus: The Great Disruption

A questioning of inequities: The legacy of Covid-19

The pandemic is throwing up digital winners and losers, and intensifying US-China rivalry that will force regions like Asean to rethink their economic strategies. Within Singapore, there will be soul-searching over structures of inequities.

Ho Kwon Ping

For The Straits Times

"This too, shall pass" is the wistful refrain of many people in economies in lockdown across the world, as the coronavirus pandemic forces the closure of workplaces, schools and retail and entertainment places. Indeed, Covid-19 shall truly pass one day.

When the viral fog finally clears, the world will be a changed place. But, in what way?

It is self-comforting but probably self-deceiving to be naively hopeful that humanity will come together after such a cataclysmic event and create a better world, learning the bitter lessons from this pandemic. People are indeed coming together in moving displays of unity – such as for the pandemic's front-line responders – but these are usually spontaneous expressions of a common unity, and disappear once the tragedy is over.

Perhaps for climate change activists the pandemic has brought a brief respite: The global lockdown was a breather for Earth's skies and oceans to recuperate. However, it will be so brief as to seem like a passing rainbow in the overall thunderstorms of climate change.

If the world does indeed change for the better, it will probably be one step forward and half a step backward. In other words, the realistic idealist must also be a reluctant cynic. A cynical idealist's prognosis for the world, for Asia, and for Singapore might involve the following themes and trends.

VIRULENT US-CHINA RIVALRY

The US-China cold war becomes, literally, a more virulent Covid-19 war. At the start of their trade friction around 2018, already half of the US population saw China as a "major threat". With the coronavirus dubbed the "China virus" and responsible for more American deaths than any terrorist group, that "major threat" perception has now spread to more than two-thirds of all Americans.

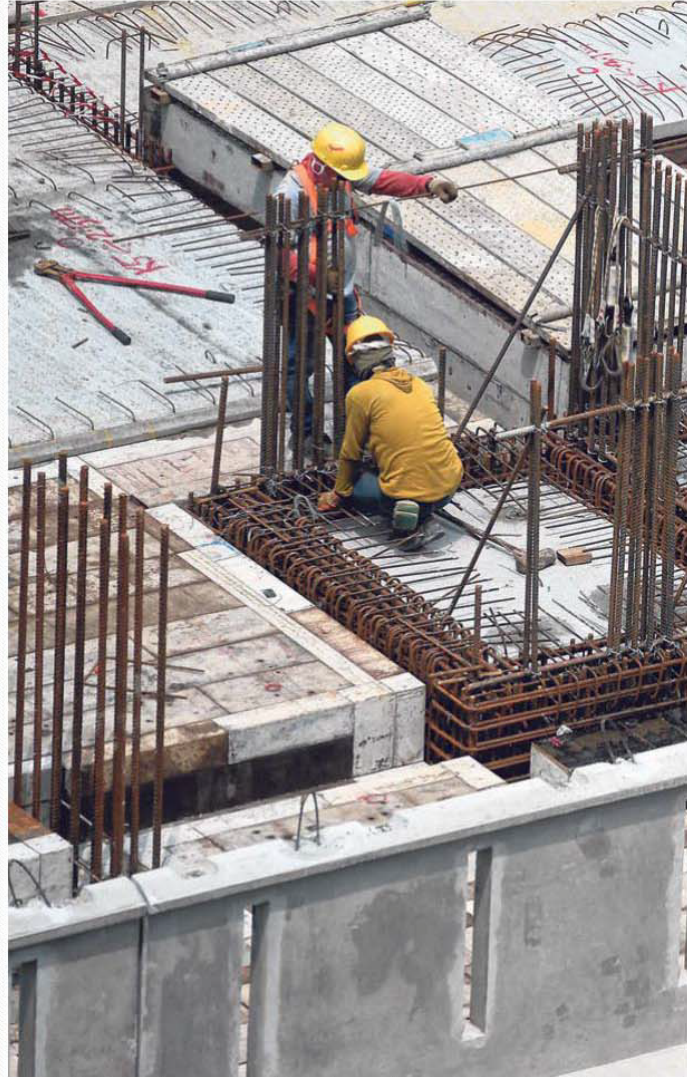
Already China is everyone's favourite bogeyman: A whopping 91 per cent of all Americans see China as a threat of some kind. Even for the most liberal, anti-Trump, hope-of-the-future demographic – young people below 30 – 50 per cent have a similar threat assessment. It is not surprising that racist attacks against East Asians have increased dramatically, even in "liberal" places such as California and New York.

An increasingly fractured America will find common cause in its aggressive fearfulness of all things Chinese. This hateful blame mongering ensures that politics will infect what should be a more straightforward economic and health impact of a pandemic.

DE-GLOBALISATION SCOPE WIDENS

Post-Covid-19 governments and companies will diversify their supply chains further than during the US-China trade war, with health considerations now becoming a national security issue.

Not only 5G transmission equipment but even simple surgical face masks and low-tech ventilators are now strategic. With every new, self-perceived crisis, self-reliance bordering on autarky will be the new mantra of nationalists. High consumer prices will result from more



The Covid-19 outbreak in Singapore, says the writer, has been an existential awakening – that a futuristic, smart city with world-class infrastructure and award-winning environmentally progressive urban features has been built on the foundation of a structurally permanent albeit individually transient pool of about 300,000 low-skilled, low-cost migrant workers in construction and related sectors, living in and working with Third World conditions and practices. ST PHOTO: KUA CHEE SIONG

cost-inefficient supply chains.

DIGITAL WINNERS AND LOSERS

Virtually anything with an "e" component – from e-gaming and e-commerce to e-fashion, e-travel and e-entertainment – will all be winners for a global population suddenly familiar with an "e-life" brought about by months of social isolation. A big loser is the speed and efficiency of global digital transformation.

Ironically, because the pandemic showed the humongous demand for more bandwidth and digital applications, the determination by primarily American but also other Western nations to prevent Chinese supremacy in the digital and related next-gen tech space (artificial intelligence and robotics, for example) will intensify. This will accelerate a digital de-coupling which will be expensive and inefficient for global consumers. This is one of the tragic ironies of a "divide the world" approach.

REIMAGINING THE PURPOSE OF WORK... AND LIFE

Changes in consumer behaviour evident during the lockdown – such as low-intensity socialising, increasing focus on wellness and nature, or in workplace habits such as virtual meetings and working from home – may not alter social norms, but nascent attitudinal changes about the purpose of capitalism will gain more traction.

Will the Japanese-style salaryman syndrome that has spread around the world change after two months of isolation and forced reflection about the meaning of life?

Perhaps a stakeholder-driven, more compassionate and communitarian capitalism will result in a flowering of innovative, purpose-driven but market-disciplined social enterprises which can mediate between pure philanthropy and hard-edged capitalism.

IMPLICATIONS FOR ASIA

China will accelerate its pace of economic restructuring. China's push to develop a domestic market driven by consumer spending – initially to offset a trade war-induced fall in exports – will gain pace after the pandemic blow to global consumer confidence.

Just as American consumers propped up the world economy in the last decade, China's hordes of newly rich consumers must now save less and spend more. After all, other levers of economic stimulus are not readily available: How many millions more apartments can be built, how many more expressways and high-speed trains can crisscross the nation?

Nevertheless, there is also a limit to consumer spending, especially for a frightened population just coming out of its worst crisis in memory. The most promising

sector for massive investment is in "soft" infrastructure – not expressways, high-speed trains or airports, but the social service sector such as public health, community care, the aged, chronically ill, disabled and even the creative industries.

RETHINKING THE ASEAN ECONOMIC MODEL

With China in the midst of its own transformation during a period of sluggish growth, Asean economies cannot count on Chinese demand for its exports. Indeed, with the developed countries in deep recession, Asean has to finally wake up to the inconvenient truth that its decades-old and highly successful economic strategy – which was to manufacture low-to mid-tech, intermediate and final products for the rest of the world – is in need of a major rethink.

With a combined population of over 600 million, Asean in theory should be able to create a sustainable regional market to offset the inevitable decline in demand from the developed West. The urgency is great because even though invisible imports from China such as tourism may remain strong, demand in China for

Asean's raw materials and intermediate products will fall temporarily as its economy struggles to a full recovery.

Intra-Asean trade has grown in the past decades but now that tariff barriers are no longer the main impediment to further business integration, Asean business people must spend more on cross-border investments. The rising young Asean middle class is still not nearly as cohesive as its European, American or Chinese counterpart, but is catching up, particularly among millennials who share common travel, retail and entertainment trends.

SME SECTOR FINALLY RECOGNISED AS CRITICAL PILLAR

Always accounting for the bulk of employment as well as the most number of companies in any national economy, small and medium-sized enterprises (SMEs) have nevertheless been sidelined and neglected in times of full employment. In a rising tide, the big ships were always more glamorous than the hundreds of sampans. But in a huge, disruptive economic shock where millions lost their jobs and small companies spiralled into bankruptcy almost overnight, the health of SMEs has suddenly become a strategic imperative for social stability, particularly for the lower-income, lower-skilled workforce.

After Covid-19, proactive policies to promote, strengthen and protect SMEs will no longer be a political afterthought but a critical plank in national security strategies.

SINGAPORE: STUCK BETWEEN THIRD AND FIRST WORLDS

Former prime minister Lee Kuan Yew's aptly titled memoirs, *From Third World To First*, captured Singapore's remarkable economic achievements.

But Covid-19 has been an existential awakening – that a futuristic, smart city with world-class infrastructure and award-winning environmentally progressive urban features has been built on the foundation of a structurally permanent albeit individually transient pool of about 300,000 low-skilled, low-cost migrant workers in construction and related sectors, living in and working with Third World conditions and practices.

They helped to make Singaporeans the fourth richest people on Earth, but the outbreak of Covid-19 in the crowded and massive dormitories exposed the two overlapping but rarely intersecting worlds of Singapore nationals and permanent residents on one level, and foreign workers (of which construction workers account for only about 20 per cent) on the lower, nearly invisible level. This uneasy but mutually beneficial co-existence has to be considerably restructured if it is to be socially sustainable in the long term.

We like to be compared with Denmark, Norway, Finland and other developed countries with similar populations, egalitarian values and inclusive social safety nets, but Singapore cannot truly be First World in a broader societal context until this issue is resolved. Or we will increasingly be known only as the Dubai of Asia, which is not a particularly inspiring model.

Certainly, better living conditions is a good start, and the Government has already initiated legislation to further regulate and improve living standards in worker dormitories. However, we also need to reduce the absolute numbers while changing the mix of foreign workers from low-cost, low-skill to higher-cost, higher-skill. Even such a strategy will require a sizeable community of foreign workers as a permanent feature of Singapore life if native-born Singaporeans do not want to undertake high-skilled, high-paid vocational careers, unlike their counterparts in developed countries such as Germany and Australia.

One way for the foreign worker and Singaporean communities to intersect is to create pathways for a small section of the foreign worker community who continually upgrade their skills and are socially compatible with Singapore's multiculturalism, to progress to longer-term (for example, 10-year)

family status in rented public housing quarters. An even smaller number can eventually be funnelled into programmes for permanent residents and citizens.

The definition of desirable skills and traits for eligibility to live, work and raise a family here needs to be broadened to one not just based on wealth or professional skills, but ability to fill in gaps which can ensure we have a diverse, sustainable and cohesive society.

PRODUCTIVITY IS THE KEY

Increasing worker productivity has always been Singapore's strategy for economic development. However, it was frustratingly slow and arduous. A much-liberalised foreign worker policy starting in the 1990s enabled our economic miracle to continue unabated, but it has become an addiction that is difficult to wean employers and consumers off.

Economically, it has resulted in too long a borrowed time for cost-inefficient sectors of the economy – services from retail, hospitality, construction, domestic services – whose productivity lags far behind their counterparts in developed countries.

This dependency has also stymied the growth of a Singaporean workforce engaged in higher-income, vocational-plus services. Relying on productivity increase within the Singaporean workforce rather than bringing in more low-cost foreign workers is a slower but more socially stable strategy.

The pathway-to-residency approach may well bridge a skills gap for our contractors and service-sector SMEs and result in a smaller but continually upskilling foreign workforce.

This will, however, involve higher costs of living – from buildings and infrastructure, to hospitality, retail and virtually all services. Navigating the trade-off between lower costs of living and a more egalitarian, sustainable societal structure will not be easy and will require mindset changes in Singapore society.

NEW METRICS FOR MORE SUSTAINABLE GROWTH

Hopefully Covid-19 will hasten the realisation that structural transformation is more important than simple growth. Reducing social and economic disparities requires new metrics for measuring transformational progress than previous GDP-based measures. We don't need a Bhutan-style gross national happiness index but, as we are already doing in the use of smart technologies for urban living, we can lead the way in developing new metrics – and ways to achieve them – for socioeconomic equality and inclusivity.

Perhaps even for collective and personal well-being (a metric in which Singapore has ranked low in many global surveys because of our high-pressured workaholic people), the Little Red Dot can be innovative!

ONLY THE PARANOID SURVIVE

Prime Minister Lee Hsien Loong has remarked that this crisis has forever changed an entire younger generation's scepticism about the fragility of our nationhood.

Whenever I am asked for advice by young people about the future of Singapore, I always refer to the title of a book – *Only The Paranoid Survive*. Always get bemused looks; if anything, complacency rather than paranoia is the prevailing mindset among the young.

With Covid-19, their daily lives have changed in a flash. They witnessed inconceivable events like the closing of the Causeway, empty supermarket shelves, schools closed and compulsory quasi-quarantines in their homes.

Because of the pandemic, our existential dilemma is now indelibly imprinted on every young Singaporean. As PM Lee said, no more does he have to worry that the next generation will be complacent about our national fragility and the need for self-reliance. This may be the most enduring and valuable legacy from an otherwise immeasurably sorrowful and historically unrivalled global tragedy.

CONCLUSION

To sum up, a globalised world that becomes even more nationally self-conscious as each country seeks to ringfence itself from future crises; an Asean region aware of its potential as a common market but struggling to find new economic purpose; and a Singapore trying to resolve its internal inequities while confronting its existential fragility. These will be among the legacies of Covid-19.

stopinon@sph.com.sg

Ho Kwon Ping is the founding chairman of the Singapore Management University and Banyan Tree Holdings.