

Kopi Time E031 Transcript: James Crabtree on US elections and the impact on Asia

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- *31st episode of Kopi time, a podcast series on markets and economies from DBS Group Research. Recorded on 7th of October 2020.*
- *Our guest James Crabtree is Associate Professor in Practice at Singapore's Lee Kuan Yew School of Public Policy, as well as Senior Fellow at the Centre of Asia and Globalisation*
- *Link to Kopi E031 video. Available on youtube and all major podcast platforms, including Apple, Spotify, and Google.*

Welcome to our 31st episode of Kopi Time, a podcast series on markets and economies from DBS Group Research. I'm Taimur Baig, chief economist.

Global markets were already quite nervous about the US presidential elections, with possibilities of a narrow outcome that could get dragged through the courts for weeks, if not months after the actual date of election. Never before entertained outcomes were already on the drawing board, ranging from civil unrest to a constitutional crisis. If, for instance, Donald Trump called the elections from the popular vote illegitimate and resorts to state legislators and courts to force a different outcome. Over the last few days, matters have become even more uncertain. This is because of President Trump's hospitalization after testing positive for Covid19 and his subsequent release. One wonders, how this development would impact the rest of the campaign and its eventual outcome?

To go over all this and some more longer-term issues related to Asia, today we will talk to James Crabtree, a distinguished Singapore based author and journalist and Associate Professor of Practice at the Lee Kwan Yew School of Public policy.

James's bestselling book, *The billionaire Raj*, was shortlisted for the FT and McKinsey Book of the Year award. His career has spanned both policy and media, including working at the Financial Times and as an advisor in the UK Prime Minister Strategy unit under Tony Blair and Gordon Brown.

James Crabtree, a very warm welcome to Kopi time.

James Crabtree

Thank you so much for having me. I'm looking forward to the conversation.

Taimur Baig

Same here. James, I'd like to break up our discussion in two parts, first, about the next 4 to 6 weeks, largely around US politics. And second, about the next few years with a longer-term lens around the

region's outlook in the context of post Covid recovery and great power rivalry on which issue I know that you have been writing quite extensively. On the first, the near term, what's your sense of the drama of the last few days, with the US president testing positive for Covid19 along with several members of his entourage and as it turns out, a few senators. How do you think this turn of events will influence voter behaviour along with the process of voting itself?

James Crabtree

I think we have all approached this question with huge fear because of what happened in the last election, and so nobody really trusts the evidence in front of you because last time people trusted the evidence and it said that Hillary was going to win and she didn't. But all of the evidence suggests that this must be bad for Trump. He's well behind according to all of the polls, unless the polls are flat out wrong, which they might be, but there's no reason to think that they are. He needs to do something in this closing period of the race. And, it's hard to see how catching Covid, even if he then recovers, is positive for that. I think you saw in the last debate that this was the performance of a man who recognized that he simply had to shake things up by roughing up his opponent and trying to disrupt what has been happening. But the fact of his illness and the fact that he's now back in the White House as we speak, it's hard to come up with a scenario where that's good for him. And again, if you look at the polls, both after the debate and to the extent we have evidence after his diagnosis, they seem, if anything to have got slightly more favourable for Biden, so the current average is at 51 and 43 respectively. That's an excellent position for a challenger to be in. Nobody wants to make any predictions about this, but Trump clearly has a huge road to climb. And every day that passes is one day less, in which he is able to change the conversation or talk about things that are more favourable to him.

Taimur Baig

Absolutely, James, I think I'm very much on the same page with you. Two things that I have been following where the polls of 2016 versus 2020 are probably different is that I think in 2016 the polls were missing out less educated voters who tend to vote disproportionately for Trump. I think the pollsters have learned a lot about sampling better over the last four years, so I think that error is largely rectified. Also, I think four years ago, if I recalled, there were 10 to 15% people who till the day of the election, were undecided and now we see that margin something down to like 3%. So, I like you still have scars from the 2016 prognostication, but it seems to me that the polls are slightly better and representative. We'll see in a month's time. There are a whole bunch of crucial policy matters at hand even before that election date, which is less than a month from now. And I'd like you to indulge us with those one by one first on the Supreme Court nomination of Amy Barrett.

James Crabtree

So, in a sense, Trump has been quite lucky in his run into this election. So, if you think about that question of what is it that he needed to try and change the conversation? The polls have actually been remarkably stable for a couple of months now. And first, he got a debate about law and order, which followed the violence in the aftermath of various of these police actions. And then he got a Supreme Court nomination and both of those things are the kind of things that you're looking for in his position that if not resetting the campaign, then they could begin to generate some momentum. I think in the aftermath of his diagnosis, quite a lot of the positive momentum that he got from the Barrett nomination process has been lost, in particular because it appears to be an event around the nomination process that has caused so much of the problem. The remaining question is, can Mitch McConnell and the leadership in the Senate run this thing through? So the timetable, as I understand it, is that we've got about, a week to go until they're going to bring this to the floor and then another

week until they have a vote and then they're going to get the whole thing done within about eight days of the election. I think that timetable now has to be in doubt. You've had two or three of the senators who tested positive for Covid and the level of anxiety about their medical condition is going to make it difficult to move this forward. It's certainly not impossible that they could do it, and my standing assumption is that this was a done deal until the events of the last few days. But I think it's going to be more difficult for them to reach that timetable. And so maybe it will be even closer to the election before they get it done.

Taimur Baig

That's right. Opinions are so polarized, so even if it is indeed an unconventional fast track nomination process, I can't really see anybody who was going to vote for Trump being turned off by that and switch sides. Similarly, the energized Democratic voters will be outraged even further. But I really don't see how that would change anything. Looking at Lindsey Graham and others, regardless of few senators having Covid, I think they will probably do a zoom vote and get it all done. There are other issues including the risk of politicization of the vaccine approval process. I think we're not going to put it past Trump to come up with a grand announcement in the next few weeks that some vaccine has been approved. How would that reflect on the race and also acceptance of such a vaccine?

James Crabtree

I think it's quite likely that this is going to happen, and you can see the manoeuvrings over the last week or two. There has been a White House rejection of various bits of FDA approval processes. You can see that Trump is agitating for this to happen, whether it would make a big difference, I'm not entirely sure. One of the big problems that he had again, if you look at the polls, is in addition to losing women, moderates and independents, the most recent polls show some pretty catastrophic numbers with old people and so, I suppose part of the calculation is that the American seniors are

going to be particularly relieved if a vaccine is announced. And so, I suppose if he does announce one, then it'll probably be reasonably good for him. But as you say, the question is, are they going to be huge amounts of swing or undecided voters to whom this is the reason that they decide to go back to Trump and given the fact that an announcement like this will come with a huge storm of protest and get wound up in the normal kind of partisan bickering because you could be sure that this will be an announcement that will have been fiddled in one way or another. Given the fact that the scientists and the vaccine companies have said that they don't think it's possible to have a vaccine announcement before Election Day, whether or not this will be any kind of political game changer, I'm rather doubtful.

Taimur Baig

That's right. These vaccine approval processes ought to be done by scientists and medical professionals, but as far as the public is concerned, there are two critical dimensions. One is the effectiveness. Again, that is something that the scientists would have to make a call on. But then there's the issue of the safety, which is the product of painstaking laborious trials and fast tracking them. On effectiveness, maybe you can convince people. But the safety part, there's a reason why we take years to develop vaccines and already in particular, the US is such a sceptical society as far as vaccine is concerned, I don't think the phrase antivaxxer exist anywhere else in the world except for the US, so the politicization of this just gets a fairly challenging issue. I've been reading essays from political scientists and observers in the Atlantic and foreign person elsewhere, where the fear is that the election is not going to get decided on the evening of November 3rd in the US. It will drag on if not for months, but at least for weeks. What's your sense of the strength of US institutions? Can they withstand these unprecedented developments and ensure peaceful, orderly election as well as transition of power?

James Crabtree

I think a lot depends on the nature of the result. In fact, everything depends on the nature of the result. So, it's not at all impossible that if there's a very close result, particularly given the way that Trump has been systematically undermining the process, that there would be legal challenges either in particular states or nationally. You only have to go back to Bush, Gore to see what this might look like where there were many weeks in which the result was being litigated before Gore gave up. So, I think if it's a close result, then that is absolutely certain to happen. And the question then becomes, at what level does Biden have to win in order to avoid that eventuality of a plausible legal challenge that could delay, could leave both sides plausibly claiming victory or, in a sense, one in which Biden could plausibly claim victory and Trump and his supporters couldn't cook up some kind of conspiracy theory. I suspect that investors, in particular are under playing the likelihood of this happening, I mean it does, unfortunately, seemed to me quite likely that there will be a post-election legal battle of one form or another. And it seems to be undeniable that although US political institutions are strong compared to most countries in the world, that they're weaker than they were given the nature of the political environment during the Trump presidency. And so I think people are very right to be worried about this on a close result on Election Day, let alone something like a statistical tie, which is not impossible to imagine there are scenarios in which you could have the two candidates tied on 270 each. You know that this could be very difficult.

Taimur Baig

There are all sorts of troubling scenarios out there. One, of course, is that the whole process of counting absentee ballots which will, of course, turn up in very large numbers, in unprecedented numbers this time and then the deadline that you respect and under which criteria do you accept or reject those absentee ballots? So, all sorts of fights could break out in those narrow swing states? Of course, the state that created all that drama 20 years ago,

Florida may well be again in the thick of action this time. So, it will not be a dull moment, but a month from now, we'll get a better sense. But till then, I guess you know we'll stand by. We could spend the whole podcast talking about short term. But I think as you rightly explained to me a couple of days ago, when we talked about this, that things might become pretty still by the time this podcast gets done how, given how dynamic things are. So, let's talk about stuff that will probably have more shelf life. So, move out from the near-term noise of US election. Let's put that aside and talk about the fact that we've had a few years of trade and tech war with the US pushing back China. And through the course of this year we've seen a broadening of US - China antagonism, including on regional security and human rights. So, let's consider both scenarios; Trump's Term two and a Biden administration. How will these dynamics play out in each of those scenarios?

James Crabtree

Well, I think if Trump returns, then I think that the tendency is to say, well, you'll see more of the same, But I think you'll see more and more of the same to coin a phrase. So, I think Trump is going to continue to paint China as the main economic enemy of the United States. But I think what you're likely to see is much more focus on forcing American companies to leave China and, to some extent, to leave Asia as well, both because of security concerns about China and also because of economic nationalist concerns about outsourcing. So far, you've seen Trump exhorting American businesses to leave this part of the world. But you haven't actually seen him put the screws on them in a serious sense, and I think that's much more likely to come in a second term agenda. From the Biden point of view, I think you will see more continuity than perhaps many people or many of his supporters would hope. I think politically, it's not plausible to imagine Biden coming up with some kind of on point with China that would, in a sense, take things back to where they were four or five years ago. The political debate in the US has changed substantially. Biden himself seems to have

changed substantially. But I think you see a change in both language and approach so that the language of decoupling, I think, would probably be quietly shelved. You'd hear them talking much more about economic resilience and domestic competitiveness, and I think you would see a return to a kind of traditional multilateralism in which Biden spent more time trying to work out with allies in the region. How do you deal with a rising China? I think you see less of a change perhaps than Biden supporters would wish. But it would be different from the policy that Trump would have followed.

Taimur Baig

True, I fully agree with you that the dialogue has shifted fundamentally and there's no going back to how things were. In fact, when I look at the manifesto from the Biden camp, they also have explicit incentives for "Building in America". So, incentives for onshoring and disincentives for offshoring, so those carrots and sticks will probably be there on both sides. But I also think that, it's safe to say it will be a little more rule based and a little less volatile. But one thing that was very big five years ago, was Trans - Pacific partnership, which Trump made sure, because it was done under the aegis of Obama's administration, he had to ditch it. Do you see that getting reenergized under a Biden term?

James Crabtree

I think he said specifically that he won't sign any trade agreements until economic recovery at home is underway. So, I think people in this part of the world who think the US is going to waltz back into TPP are living in a fantasy land. I can imagine a scenario in some distant time, sort of sometimes the next decade, where the US could come back into this agreement, particularly if it had a second stage that was enlarged to include other countries around the Pacific and potentially even my own country of the United Kingdom. At that point, you could make a kind of much more plausible case that the original agreement that was rejected has now changed substantially and the US can come back in. But I

think in a sense, what Biden has to play with it is not so much joining TPP, it's what does he do with the tariffs? He has the tariffs that Trump has set, and he has a question as to are you going to reduce them? And if so, what are you going to ask in exchange for that? So, what is going to be your agenda that you try and use, that de-terrifies the relationship between the US and China, and I think that we're not really clear on that at the moment. It's not quite clear exactly how Biden is going to try and play this hand, if he is going to have a more predictable and slightly less tariff focused approach to China. But on the technology side, I really don't think there's going to be a huge amount of difference between the way that the Trump administration and the Biden administration would play. I think at the edges, you could say that maybe he would be less erratic in the way he begins to use some of these tools, like the entity list or the way that Trump went after Tik Tok. But I would have imagined that under a Biden administration and some sort of process would have begun that would have targeted a company like Tik Tok and that there will continue to be heightened national security, suspicion of Chinese companies and a gradual bifurcation of the world and Asia in particular into companies and zones that either have to deal predominantly with the United States or with China, and that it is going to be much more difficult for companies in Asia and countries in Asia as well to act as kind of honest brokers who are well plugged into both sides of this equation.

Taimur Baig

Yes, there are so many dimensions one needs to be cognizant of. The first point that you make on tariffs, through history we've seen it's pretty easy to raise tariff, especially in the case of the US, where it's basically an executive order. It's very challenging to bring them down. I recently came across the notion of this chicken tariffs when the chicken lobby in the US or the poultry lobby in the US wanted access to Europe. This was way back in the sixties, and the Europeans were being tough, and the Americans put on tariff on cognac and trucks. 50 years later, those tariffs are still in place. Nobody has managed to

bring them down. So yes, on tariff, I think Biden will struggle. Think about it, Trump behind some podcast ask or Fox News would be screaming every day that he's being soft on China by taking those tariffs down without getting anything in return. So, the quid pro quo would become a big deal. I take your point in regard to TPP, there is very little chance of the US coming back on the table anytime soon. But what about the other even bigger multilateral framework like the WTO? Would the US play a little more constructive role than the Trump administration in reenergizing it?

James Crabtree

Yes, I imagine that it would. It depends who the new Secretary General is going to be, but I think the US would take a much more constructive approach to the WTO. Nonetheless, the critique of the institution that has taken hold during the Trump administration is now a reasonably bipartisan critique. So, I don't think you would see the WTO returning to its glory days under Pascal Lamy or whoever you might look to for the high-water mark. I think that the organization is in crisis, in part because the US has taken against it and blocked certain internal procedures. But it's also in crisis because of the nature of the global trading system, it has fundamentally changed from the one that the glorious WTO presided over. And so, I think it's very difficult to imagine a situation given the relationship between the big powers, here in Asia and around the world, in which the WTO suddenly began to take this more a catalytic effect in creating trade agreements. Given the WTO's had a reasonably minimal role in most of the important trade agreements that have been signed, or if it certainly was able to return to its role as an arbitrator, investigator of disputes in the way that perhaps it was fighting for 10 years ago. So, I think the moment of deep crisis for the WTO might pass under more constructed Biden administration. But the existential malaise in the heart of the institution isn't going to go away.

Taimur Baig

Yes, I understand that whether it is dispute resolution mechanism, or the way intellectual property is treated or the biggest dynamic of trade, trade and services in the world, WTO has significant room for reform. But, wouldn't you say that the Europeans and the Chinese remain cheerleaders of the WTO and therefore it doesn't take that much of pivot from the US to get the ball rolling again.

James Crabtree

I suppose you could make that argument. But it seems to me that the likelihood of Europe and China coming up with a constructive reform agenda, in the absence of the US or in the face of US obstruction seems pretty unlikely. Relations between EU and China are, in any case, on a downward trajectory. It's been pretty clear that you've seen hardening of views in Brussels and importantly in Berlin on the relationship with China over the last 6 to 9 months. And so, whether it's on climate change or on trade, I think the idea that whether Trump or Biden wins that there's going to be constructive EU- China agenda on the areas where they have common cores, I'm a little bit sceptical of that. I don't see too much evidence that that they can work together to do something like resuscitate the WTO on their own.

Taimur Baig

I guess, to your point, it's not like EU-China relationship is particularly rosy, either. I think China has also had its share of missteps vis-a-vis Europe, not just the US in recent years. So, I take your point that, putting the US in a corner and building alliance with Europe probably sounded much more plausible a few years ago than today. There is not that much love lost between, particularly the Germans and the Chinese. You alluded to the issue of tech where you don't really see much of a difference between term two of Trump and Biden. So, let's talk about that, because that clearly is here to stay with us. Recently, you wrote a detailed and very insightful article on the Tik Tok saga. What should we take away from this affair? What does this tell us about the broader US- China relationship?

James Crabtree

I think, it's been a fascinating example of the way that the world is moving. So, if you were to have asked a year ago was Tik Tok a national security threat to the United States, I don't think anyone would have taken the question remotely seriously. The idea that a short form Web app whose audience was predominantly teenagers, doing Saini dance routines and magic tricks, the notion that this would become a kind of focus of very serious anxiety in Washington, I think people would have not taken that very seriously. But it gives you a sense of how fast things have moved over the last year that this is now almost another part of the consensus that although it's a little bit hard to put your finger on exactly what the nature of that security threat is, that there are theoretical things that might happen with data from Tik Tok users or potential political interference, Russian style meddling using Tik Tok as a platform, a platform which is used by something like 100 million Americans. So, I think it gives you a sense of the lack of trust and the low and decreasing barriers to claims of national security threats when it comes to anything to do with the US - China technology relationship. And so if Tik Tok could be seen as a threat to national security, I think my basic conclusion is so can everything else and so I would expect any other Chinese company that wanted to do anything inside the United States, be a cloud computing provider or a mobile phone handset manufacturer, or really any other kind of company to come under this sort of scrutiny. But I think there's a wider lesson from this here in Asia, which is much, regardless of your view, on the US - China conflict, which is the lesson the other countries are going to take out of this. So, the deal that Trump has forged, which is by no means stable, it might all collapse in a heap. It's hard to see what's going to happen, that this strange deal with Oracle is a minority or potentially majority shareholder working with ByteDance, the Chinese company. It's a rather unfortunate compromise that, smells of, if not corruption and the process that was poorly followed and favouritism for Larry Ellison, Oracle

founder, a Republican and Trump donor. But the most important thing I think is the other countries around the world are going to look at this and say if the Americans are going to behave in this way, if they're going to effectively nationalize part of the Chinese companies simply because they don't like China, then we will be behaving in exactly the same way. And so, you saw within days of this deal being announced, calls in India, India to nationalize Facebook India to nationalize Google in India, or at least to force these American companies to go in to, ungainly partnerships with Indian Tech companies. So, I think that kind of long-term effect may be the most significant part of this. That, as the US retreats from its traditional role, as the guardian of a free and open global internet from a regulatory point of view of much of the last 10 years and instead comes up with these much more security focused nationalistic exceptions, of which Tik Tok is a great example. There are lots of other countries who are going to do that as well. And that's why people begin to talk about a splinternet, a kind of world of technology and digital commerce, which is much more divided by different kinds of national protectionism than we have seen over the last couple of decades.

Taimur Baig

It's a terribly slippery slope, because you can start with the argument that I don't want sensitive data of Americans on their personal preferences and beliefs captured through social media. But personal data is embedded in every single transaction or exchange we carry out on the internet, from e-commerce to our reading behaviour as well as the dance videos on Tik Tok that you're talking about and that would create not just a couple of Chinese companies here and there going in trouble and it will not only be restricted to the big tech issues like Facebook and so on. It would be everywhere, and you could see unscrupulous statespersons and governments taking full advantage of that to stifle speech and exchange of ideas. So, I fear that whether it was fully intentional or inadvertent, the Trump administration has opened up Pandora's box.

And this Tik Tok saga, as you correctly say a year ago, would not have been in anybody's radar. Sounds quite ridiculous and I am glad that you brought up the corruption angle as well, looks unsavoury, but there will be a very big canary in a coal mine going forward.

James Crabtree

Yes, I agree with all of that. I think if you're sitting in Silicon Valley at the moment and you are Mark Zuckerberg and you look at this. On the one hand, you might think, well, this is great. The US government just came along and took out one of our most plausible competitors. But I'm pretty sure that there more clear-eyed moments, they realized that this is bad for American, big tech at a moment in which American big tech is already coming under a lot of scrutiny for other reasons. And in a sense, one of the things that will die along with Tik Tok is the dream that almost anybody can become a truly global Internet company of the sort that the Silicon Valley mavens would have dreamt about 10 years ago. Clearly, Chinese companies can't become global. They're not going to be allowed to go into the US or many of the US allies because of national security considerations. Western companies are not going to be allowed to go into China, but I think you're just going to see a spreading of these kind of exceptions where countries like India in particular, which until this point have been reasonably open to international technology are going to become more defensive, more concerned with building up their own tech national champions. And I don't think this is going to change whoever wins the US election. I think it's hard to see President Biden executing a change of policy which will be sufficient to stop the dynamic that Trump and other things not to do with Trump have put in play in this regard.

Taimur Baig

Right, when the world was all about trading goods, I could argue that a furniture has no national security angle. But today, if it is about national security and data privacy, and just about everything that we do has an "e" element to it. The net can be very, very

wide. I have been following your writing since you were the Mumbai bureau chief of FT. You have been living in Singapore for a few years now. You spend a lot of time writing for Nikkei and you're an astute observer of Asia. So, the final part of our discussion that I want to have is getting us your report card on Asian economies. A number of Asian economies have done a pretty decent job in dealing with the pandemic and reviving their economies. And a few which I would like you to highlight, have not. For the ones who have done well, is this a huge plus that you're resilient in a once in a century pandemic and for the ones who are not doing so well, does it say something deeper and broader and more troubling for them? So, I will let you take away with that one.

James Crabtree

I suppose you'd rather be doing better than doing worse when you'd rather be in China's position than India's. I think that this is a once in a generation shock, maybe longer than that, given the size of it. It's really unprecedented, with the kind of data that we've seen. I think you're going to see a much greater division between South Asia on the one hand and south eastern, particularly East Asia on the other. So, the South Asian economies are the ones that have done particularly badly, and so whether that's simply the rate of growth that we can expect out of countries like India or Pakistan or the development indicators that you're going to see in terms of poverty reduction, urbanization, all sorts of measures are going to be damaged by this so that the kind of reform and growth agenda that many people who look at countries in South Asia or poorer bits of Southeast Asia will see being damaged by this. By contrast, the richer, more industrial economies that have the ability to borrow heavily for stimulus programs and have done reasonably well in controlling the pandemic in Taiwan, Japan, South Korea, here with us in Singapore, nobody wants to be in the position that they're in, but they're obviously doing relatively better. And so, I think one of the consequences of this is going to be much deeper division between the bits of emerging Asia. That might be the next drivers of global

growth, the Indian rim joining India and Africa together as opposed to the Pacific rim. The idea that is going to become the next fast-growing region of the world that West could look to. I think there's much like, less likely in the short to medium term after the pandemic and indeed much more likely that you're going to see in South Asia something approaching a lost decade of reform potential. So, that I think, is the big picture where nobody is doing great. Nobody is doing excellently out of this. But it's South Asia, that's the real loser.

Taimur Baig

Yes, indeed. My fear is that a year from now the industrialized world will have begun the process of rolling out vaccine. All their travel lanes will be restored. But there will still be considerable amount of mistrust with South Asians and other developing country travellers, so a lot of them still would not be traveling for tourism purposes or education purposes. And again, that goes into your narrative of this lost decade because students who will not be able to go abroad for higher studies with again miss out on years, if not decades of earning potential. They're human capital. So, it is a very worrisome time. But within East Asia, which I concur with you, that by and large and infection numbers have flattened out and there is wherewithal. But a couple of countries, particularly Indonesia and Philippines are more akin to India, than the rest of East Asia, where infection rates are still going up on. You do have various challenges of governance. Do you not worry that these countries will also run into a resource constraint and all sorts of constraints beyond just resource constraint going forward?

James Crabtree

Yes, I suppose you're right to pick up on this. When I was thinking of Southeast Asia, I was thinking more of the Mekong States which have done so well for reasons that remain to some degree mysterious about the middle-income Mekong states. So, Indonesia in particular, bears many similarities with India. I know less about the Philippines as a case study, but I think within Southeast Asia you see a

distribution, both the distribution in terms of the impact that Covid has had but also distribution of the ability of states to respond. So within that you have some quite curious examples like Myanmar, which clearly has very limited public finances in a weak state, but actually has until the last couple of weeks, a pretty admirable Covid record. But, yes, countries like Indonesia, I think are more in the Indian bucket where they will struggle to bring the disease under control and you're looking at quite a long pathway. We don't know when the vaccine is going to be available, but let's imagine it's something like the first couple of quarters of next year that you begin to have people getting their hands on this. Then it will be very large countries that need a double dose for populations of hundreds of millions and it's simply going to take a very long time. You're talking not next year, but the year after, until you can plausibly imagine a mass vaccination process. And so already in Asia, one of the things that's marked out this region as opposed to Europe or North America, you've seen extreme institutional conservatism, potentially wise conservatism, conservatism nonetheless, on reopening rules.

And so, I think this will continue within the green zones, the rich countries that have done reasonably well, they will continue to be conservative. But then, that presents another problem, which is that eventually there's a kind of hanging question about whether you can keep your borders closed forever and bear the economic cost that this brings. And therefore, although you would rather be in the position of having a very good record and an awkward conversation about whether or not you want to re-open, even if that raises the risk of some level of Covid infection. Nonetheless, this is a challenge that some of the richer countries in Asia have. So if you are Taiwan or South Korea or Japan or Singapore, or even China, then given what looks like a long pathway to mass vaccination, you also have to begin to trade off the ongoing economic cost of keeping your borders closed or keeping your border mostly closed with your pretty good Covid

suppression records and that, I think is something to watch as to how the countries are going to try and manage that. I put Australia and New Zealand in that bracket as well, in a sense, these are the conundrums of those countries that have done well as supposed to the conundrums like Indonesia or India, those countries that have done badly.

Taimur Baig

Absolutely. My other worry is that even if you were to open your economy up for whatever motivation, would people come if the rest of the world is not convinced about your capacity to handle a resurgence of the disease? I was a little tickled when you were saying earlier that for reasons that are not fully understandable, the success of some of the countries in the Mekong Delta, let's go a little north to China, and I guess this is the last question that I have for you. China, on one hand, has had a torrid time. The confrontation with the US, picking fights with India, all sorts of things happening in the South China sea, issues related to Hong Kong and Taiwan and Vietnam and so on. But on the other hand, this has been a year of tremendous resilience. Despite all those distractions and being the epicentre of the Covid19 pandemic in January, February, China probably has done better than just about anybody else in terms of the whole lives vs. livelihood, very few people on a relative basis have died in China and livelihood is more or less restored. Our model suggests growth could be as high as 6% in the fourth quarter. So, when you say that you're a bit mystified by the success of the Mekong Delta countries, are you also mystified by China? Or you have a broader set of explanations for their track record this year?

James Crabtree

No. When I was talking about the Mekong countries, I was talking about a country like Myanmar in particular, which has all of same indicators as India, weak state, poor economy, government that often struggles to function, also, reasonable amount of inward and outbound visitors and yet has had very low levels. I think the Chinese case is much more explicable. There you have very highly functioning

state apparatus and although people ask questions about the very early stages of the outbreak, since then, the ability of the Chinese state to roll out mass testing, a functional testing trace program and ability to operate regional lockdowns, involving tens- twenties millions of people, when they have had small upsurges, and to keep those under control, bring them rapidly back, to suppress again. It's been very impressive. We're now in the Chinese holiday week and you're going to have some half a billion people moving around the country, with almost no restrictions whatsoever. So, it's a remarkable success story, and one with which many in other countries may not be able to replicate it because of the nature of the Chinese state and the way that it works. But this is clearly a lot of learning to be done in terms of how China has managed this so successfully. And, I think you're right. Nobody wants to be in the situation. Nobody is in a better position than they were a year ago. Relatively speaking, China has clearly come out of this with more regional admiration, particularly here in Southeast Asia, and simply the reality of the fact that China's economy is going to be performing at a time when almost nobody else's is, it will give China a huge amount of economic and political capital to develop, so whether that means Xi Jinping is sleeping easily at night is harder to say. I mean even if China is pulling out annual growth figures of three or 4%, if we have been talking about that 18 months ago, we would have said, this is the catastrophe and that the Communist Party regime may not survive. Whether or not the government feels reassured or feel sanguine about its own political prospects is very hard to say, but certainly relative to everyone else, China is doing very well and, I suspect, will continue, absent some other quick outbreak that they can't bring under control. They will continue to do so and will be a focus for everybody else in reopening as well, in a sense of if you're Singapore, if you're South Korea, even if you're Japan, then a lot of your own economic recovery depends upon Chinese tourists, Chinese investment link and enhancing economic links to China. And so, China will emerge from this as a more important poll in the

wider Asian economy and, more important to its trading partners, even than it was before.

Taimur Baig

Absolutely. On that very insightful note, thank you, James. Thanks for coming on Kopi time.

James Crabtree

Thanks so much for having me. I'm sorry we didn't actually get to have some actual kopi. We should have done that. Next time we're in a hawker centre, maybe we could do that.

Taimur Baig

Guaranteed. Thank you, James. And thanks to our listeners as well.

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