

Kopi Time E173: Dr. Khor Hoe Ee on Asia's resilience and the road ahead

Group Research

March 3rd, 2026



Taimur Baig, Chief Economist
taimurbaig@db.com



- 173th episode of *Kopi time*, a podcast series on markets and economies from DBS Group Research.
- Youtube link is [here](#). Available also on all major podcast platforms, including Apple, Spotify, Amazon, and Google.

Dr. Khor Hoe Ee
Guest Speaker



Publication support: Violet Lee and Daisy Sharma

Please direct distribution queries to Violet Lee
+65 68785281 violetleeyh@db.com

Hello, this is Kopi Time, a podcast series on markets and economies from DBS Group Research. I'm Taimur Baig, Chief economist, welcoming you to our 173rd episode.

Today, we're delighted to welcome back Dr. Khor Hoe Ee to the podcast. Dr. Hoe Ee is NTUC Professor of International Economic relations at the S. Rajaratnam School of International Studies at Nanyang Technology University in Singapore, but that's not his real identity. That's his current identity. We can associate Hoe Ee with the previous stint, 2016 to 2025, when he was the Chief economist of AMRO, which stands for ASEAN plus 3 Macroeconomic Research Office. There he was responsible for country and regional surveillance for those countries as members of ASEAN plus 3, related research activities of the ASEAN plus 3 economies as well. For me personally, my association with Hoe Ee goes back even further when we were both staff at the International Monetary Fund. Prior to the AMRO stint, Hoe Ee spent his career between the Monetary Authority of Singapore and the IMF in Washington, D.C.

Hoe Ee, welcome back to Kopi Time. You are one of the early guests of this podcast, going back to episode 22 back in July 2020.

Khor Hoe Ee

Thank you Taimur. Thanks for the kind introduction and thanks for inviting me back to this podcast again.

Taimur Baig

It's great to have you. I have been reading some of your recent work, and I wanted to chat a little bit about your current state of thinking with respect to trade, with respect to Asia. So, let's begin with something you wrote a few months ago. It's been about a year since the Liberation Day shock. We got a bit of a shock a few days ago with the IEEPA tariffs and now Section 122 under which Donald Trump is putting on additional tariffs in lieu of some of those things. I just want to get a sense of your assessment of how has the global economy, particularly key Asian economies, dealt with this shock.

Khor Hoe Ee

Very well and you can see that from the outcome, but I think that's the billion-dollar question. How do we end up doing so well?

So, as you said, if you go back to April 2nd, 2025, Liberation Day, we're all bracing for an economic hurricane, I think the standard model including AMRO, we will reach around the model, and we were predicting much weaker growth for the region and the market was crashing. But then you look at the situation today, the region is growing. I think the estimate now is that ASEAN grew at 4.8%, which is even higher than the Pre-Liberation Day forecast, and the US is doing 2%. And we were expecting high inflation and inflation in fact is quite low.

So, we're scratching our heads and asking, how do we go so wrong? What did we miss about the situation? And I think there are 4 several factors, one of them is what we call the TACO trade. As you know, TACO means Trump always chickens out. This was a term coined by Robert Armstrong of Financial Times, to describe Trump's behavior and its basically the market and basically businesses, decided to the game the behavior of Trump. So, what happened is that they don't believe that Trump is going to follow through with his threat. So, when the market crashed, with about 15% in the first few days, I think Trump basically pulled back and announced the 90 day pause and also a baseline of 10% for tariffs. And shortly after that, the market rallied very sharply, as you know, and it continued to rally beyond July 2nd, after the 90 day pause.

So, I think this explains to a large extent why the economy is doing so well, but this TACO trade also had an unexpected effect because importers and retailers decided to front load their imports, and they build up inventories. And many of them decided to delay the pass-through. And that was one reason why I think inflation didn't shoot up. And that kept inflation down and allowed the Fed to keep the rates on hold and even cut rates. And that helped to support the demand. So, despite the very weak labor market in the US, I think the US reduced spending was relatively strong and that in turn support exports from the region.

But I think we also missed two major structural shifts, global trends. The one is the China's green boom, despite a 33% collapse in China's export to the US, China's overall export went up by 5.5%. Its EV export to ASEAN went up by 75%, to Africa by 270%, almost tripled. And its exports to Europe also went up by about 10%. So, it wasn't just diversion of trade, it was basically a big shift in the global supply chain towards the green renewable energy. And they call it the three green industries in China. They account for about EVs, solar panels, wind turbines, and batteries. They account for about 10% of the economy. But I think last year, they accounted for 25% of the growth. And that's about 1.5% point. So, without the EVs, or green industries, growth would have been much weaker in China, and they managed to get a 5% growth last year, thanks, I think a lot to these green industries.

Now in the US I think we all saw what happened with AI. We knew that AI is very disruptive. I think what we missed was this massive investment in data centers. And you know, they were investing USD100bn per quarter in AI data centers and AI. And as a result, it gave a big boost to the US economy and Jason Furman basically estimated that without this massive investment, growth in the first half of the year would have been 0.1% instead of 2%. So, I think we missed out on that part because we were looking at the tariff and we know that AI is disruptive, but we are thinking much more of the future when AI becomes fully implemented. So, that accounts for why the US economy is quite strong, despite the fact that labor market was weak and the other factor is that because the market was booming due to the fact that they decided to ignore the tariff trade. There's a strong wealth effect. And I think that accounts for the fact that spending also was very strong and the household actually cut the savings down from about 5% to 3.5%. So, there's a 1.5% drop in savings rate and that helps to support the economy as well. And then in the region, we, in AMRO always thought that the region is relatively robust and they have a policy space. But in last year, normally when you have risk aversion, the currencies come under pressure, but last year, the US dollar weakened. And so, the retail

currencies actually strengthened against the US dollar. And that provides space for I think central bank to ease policy, and we saw that in the Philippines, in Indonesia, in Malaysia and Thailand I think was a bit of a laggard, but eventually they also cut rates. So, I think that also helps to explain why the region did relatively well. So those are the factors that help to explain why the global economy, but especially, Asia did much better. We came up at 4.8%, as I said, and that was even better than last year, which I think was at 4.7%.

Taimur Baig

Do you see the factors that you just described remaining in place in 2026 and therefore, would you expect a pretty decent growth outcome for Asia and the US this year as well?

Khor Hoe Ee

For the inflation pass through, we thought it's going to happen this year but now that the Supreme Court has struck down the tariff and declared that it's illegal under IEEPA, the retailers may get the money back and they may not have to pass through, but of course, Trump has decided to impose a 15% lower tariff rate. So, there's a bit of uncertainty about how much of the tariff is going to remain and at what level. But certainly, I think the retailers cannot continue to absorb the cost of the tariff, and they're going to have to pass through some of that. So, inflation may be a bit sticky.

I don't think it's going to go sharply higher but certainly I think that's going to continue to be a drag on demand in the US, and slow down the economy, somewhat, but I think the region is ok. And the irony is that I think Chinese export was also exporting deflation because if you look at the PPI export prices actually was declining. So, they also have to keep inflation down to some extent.

But now I think we are in a period of uncertainty because if the Supreme Court decision and Trump's counter measure by imposing the 15% tariff, we don't know how it's going to work out.

Taimur Baig

Right, I mean, for a country like Singapore, for example, if it is indeed 15% baseline, then of course that's a big shock because the understanding with the US was 10% for Singapore and then a country like one of the ASEAN countries which have sort of done 18% or 19% deal with the US, they actually get a downward revision. So, it could be quite heterogeneous, and you're right, we really don't know exactly where this thing settles. Yeah, more uncertainty.

But, just to stay with that argument, we have outperformed expectations in 2025, and you have issues like China's green spending or US AI spending, buoying regional demand for these products as well as part of the global supply chain. So, in general, do we expect to see the same kind of buoyancy that China on the back of green and US on the back of AI is doing simply because we're an export intensive region?

Khor Hoe Ee

I think so. I mean, in the case of China, green, of course is booming, but they have, as you said excess capacity issue and they have an anti-evolution policy right now, which is working its way through the system. So, I think that it's going to dampen growth of the EV industry to some extent because there's going to be a sort of restructuring of the industry and I think that there are signs that it's happening, right, but it may take a year or two before it's fully followed through. In the meantime, I think, and the rest of the world is still demanding that export the products and importing those EVs and solar panels, except maybe for the US. So, I think that's going to support China's growth to some extent, and in the real estate drag which is the main drag on the economy, I think that is also slowly working itself way out. I think the Chinese have decided not to do a big bang in that area, and I think that's probably the right thing to do because you don't want to overstimulate the real estate sector and do all the reforms that they were putting in. If you look at the real estate sectors, typically takes 4 or 5 years to work itself out. And it's been about 5 years since the real estate crash in 2021. So, we were hoping that it will work

its way out by the end of last year, but it looks like it's going to take another year or two. So that's China.

And for the US, I think that the boom in the AI, I mean, especially the investment in the data center is so big that the market is beginning to pull back somewhat, and there's been a correction in some sectors of the economy, which I think, they think is going to be disrupted by AI. I don't know if you saw the recent report or study, which talks about the disruption of AI. One of the co-authors just appeared on Bloomberg this morning, and you know there's like a possibility/ potential of a negative spiral in the economy, and it is going to be even much more damaging than the other disruption that we have.

Taimur Baig

You're talking about the Citrini report.

Khor Hoe Ee

Yes, I haven't read the report myself, but I just saw one coauthor on Bloomberg.

Taimur Baig

It's quite remarkable that a blog post can cause so much disruption. I think it also tells you that, just to connect to your earlier argument, the market is so rich. Any excuse right now would be a reason for a sell-off, whether it is coming from a blog or actual earnings outcome or company order flow.

Just to stay on with China for a second, you're talking about the world's demand for solar panels and EVs will continue. I think in the coming decade we will see made in China robots, developed in China pharmaceutical drugs, and a wide range of things, and perhaps toward the early part of the next decade, made in China planes that we will become enthusiastic consumers. So, this move up for China on the value chain. I think you have written about this. It's absolutely remarkable. And I will want to touch on this later in this podcast when we talk about green transition.

But right now, just from the general to the specific, let's talk about our own country, Singapore. What's your evaluation of

Singapore's shock absorption capacity, not just last year, but take the last decade, for example, we've faced quite a few shocks. Just give us your evaluation.

Khor Hoe Ee

If you look at Singapore's performance, you have to give it an A+. It's very difficult not to give it that, it's been remarkably resilient. And they've been hit by several shocks, one in a row or one after another, especially since 2000. I think the biggest shock is the pandemic, even bigger than what we're going through right now. It basically shuts down the whole economy. And then you have the inflation spike up from the war in Ukraine, the Trump tariff war, the mounting protectionism, geo fragmentation, the US-China trade tension. So, you know all these are coming together. But I think that the main reason why it's been so resilient is that it's got very strong macro fundamentals, you look at all the key indicators, they're very strong fiscal reserve, fiscal buffers, sound monetary policy, low inflation, very large current account surpluses, and very large fiscal reserve, very sound financials. So, I think the economy itself is fairly robust and strong, and it's able to absorb a lot of the shocks.

But more specifically, it's built up a huge war chest in terms of the fiscal reserve. And it's been able to leverage on this to buffer the shocks. I mean, as you know in Singapore, the government is very reluctant to spend the reserve. Now it has a rule where they spend half of the dividends or the earnings from the reserve. But it's been very reluctant to draw down the reserve and even during the Asian financial crisis, I don't think it drew down the reserve, but when the pandemic hit, they drew down SGD64bn and they were able to support the economy in a way that most other countries cannot, especially, these are liquidity shocks, you need to provide income to the households and businesses to stay alive, and so they were able to do that.

The fiscal stimulus package was like SGD90 billion. It's a huge percentage of GDP, 15%, I think, or something in that order. And you know, I was taken aback myself because we were trying to encourage the government to

be braver and the government was braver than what we thought it would do.

So, I think the outcome of this is that they came out of the pandemic with very little scarring, unlike many countries and then during the pandemic, there was a shift towards digitalization and again you can see that the government was very proactive. They're trying to get the economy shifted into a digital economy in order to mitigate the shock of the shutdown. So, as a result, I think they did a fairly good job there, although they missed the call many several times in terms of the spread of the pandemic.

Well, the other factor, as I mentioned is that Singapore is basically a safe haven. It seemed to be highly, they place to park your money and manage your reserves, so they get a lot of inflows from other places whenever there is a risk aversion, in the region or even outside the region. So, it's never at risk, in terms of a balance of payment crisis. I think the risk only for a country like Singapore, it's political because the financial side is very strong anyway. And finally, they are very proactive. I mean, you've been here long enough, you know that Singapore prides itself for being paranoid about its survival. They are always looking around to make sure there are no hidden risks and trying to be one step ahead of the game. So, they set up all these review committees every few years to review policies to see, make sure that they are still fit for purpose, and what else needs to be done in order to make Singapore more competitive. And recently they just set up the AI council, chaired by PM himself, and I remember after the Asian financial crisis, they set up the economic review committee, and I was a member of that committee under the former Prime Minister. So, they are constantly very vigilant, very worried about their competitiveness and you know, taking measures to make sure that they don't fall behind.

Taimur Baig

Well, in that case, let's talk about that vigilance issue, but from a forward-looking context. All this Citrini report and AI related discussion, let's bring back to in the context of Singapore, what's your sense about

Singapore's challenges with respect to the ongoing AI wave?

Khor Hoe Ee

Well, I think I wrote a little bit about that in the SG60 article, and like everybody else, I think it's going to be very disruptive. And I think that's the reason why they set up this community because I think we are just at the beginning of this disruption. Although, I think the fact that the labor market is weak in the US is probably a reflection of the fact that the hiring is slowed down although the firing has not started.

But the firing is going to come because we know that AI is going to displace a lot of this mental labor. Especially those at the entry level, they don't need as many research assistants. Now AI can do a lot of the paralegal work. And not only that I think once you combine AI with robotics, you have humanoids, it's going to disrupt manual labor as well and I think that's the reason why this report was so alarming. We are still in the early stage, and we don't know how disruptive it is going to be because it gets to a point where the economy is presumably highly productive. The productivity is showing up probably in profit to some extent, but it's not showing up and because of the high productivity of technology and capital, the workers have been displaced and so I think the big challenge for our economics profession, the traditional constraints seems to have broken down and there's going to be a challenge on how do you deploy labor. I still believe that the services sector is going to be able to create new types of products, new services and new ones, and be able to eventually absorb many of these workers who are displaced from the traditional service sector. But it's a transition. I mean, we talked about the green transition, but I think the AI transition is here and it's going to be much more challenging than the green transition. At least the green transition is a long fuse. The AI transition, I think, it's quite immediate over the next 3 to 5 years, and we're going to have to deal with that challenge.

Taimur Baig

Sure, but it's interesting that you put these big disruptive forces side by side. We talk incessantly about the cost of green transition and what it means for industry and whether carbon tax is ruinous for industry earnings or not. We're not thinking along those lines when we talk about the AI transition because AI is very, very costly transition. You just talked about only in the context of the US, USD100bn a quarter, perhaps going to be even higher in 2026. And if companies are going to spend that much money and on top of that are going to become very productive and make money, I would think there is some role for taxation and redistribution of that money for the winner take all economy.

Khor Hoe Ee

Yes, and so the challenge right now is whether the governments are willing to step in and play a role in terms of redistributing the additional productivity that is coming from AI. But you know what we have seen so far in the US is basically a reluctance to tax the rich. And in California, they want the property tax, and I think everybody is resisting that but, in the Netherlands, I understand they are also thinking along the same line, they're going to tax notional increase in your assets. So, I think that our traditional paradigm where you are paid according to your marginal productivity may not work that well in this new economy of AI, because the constraints are breaking down and we need to have a new paradigm on how to redistribute income and otherwise I think we're going to end up in this problem that was highlighted by this author. These two authors talk about negative loop where people are displaced and so your income declines, your consumption declines and becomes a downward spiral whereas we need to create and redistribute income back to the people so that they can spend. But can the market do it on its own? I don't know. I mean, this is a big challenge.

Taimur Baig

Well, the AI companies better hope there's no collapse in consumption because their entire premise is to provide lots and lots of service, and they have to make money after spending, I think it's USD3trn so far, I think the stock of

investment that has taken place in this AI complex.

Let's talk about green transition. You've also written about this lately. We know that the Trump administration is not interested in the science or the economics of green transition, and they have been abdicating their role in a variety of ways since Trump came back to office. Where do economies like Singapore stand? We had all these plans for net zero carbon tax, barriers against rising sea levels. We're not going to give up on all that, are we?

Khor Hoe Ee

Oh, definitely not. I don't think, I mean this is physics. I mean green transition and it's bigger than Trump.

So, physics is bigger than politics for sure. So, I think Trump is a bit of an aberration and exception, and 3 years later, I think, the new administration that comes in, if it's Democrat, you know, he's going to undo whatever he's doing just like Biden did when he became President. But even if he's a Republican, they probably will not vote the full extent of Trump, you know. But in any case, I think, by disbelieving the climate change, I think they're doing themselves a disfavor because they're cutting themselves off from the green industries. And I think, in my view, I think the positive development in the last few years has been that China has managed to lower the cost of wind transition by reducing the cost of solar panel, batteries, EVs, and wind turbines. So, for the first time, the green transition is no longer as costly as it would be. I mean, in the past, green transition was a burden, for most developing countries and even for developed countries, and they're asking for basically subsidies from the advanced country. Look at EVs, they're cheaper than the traditional IC cars, and Tesla, and solar panel costs have come down. So, all of a sudden, I think the economics is beginning to favor the green transition and I think the technology is still developing, but now you know the small modular reactor, the SMR, which is a nuclear reactor that apparently is also non-polluting, but it is able to provide the kind of power and energy that is needed. So, I'm actually quite optimistic that even without the US, the green transition

will continue anyway, partly with the help of China because of the EV, solar panels, and the new renewable energy product that they're producing and I think that is basically the main driver, the market forces will drive it along anyway, regardless of Trump. But I think most people do have a sense of responsibility to try to cap the increase in the temperature of the earth, and so I'm not particularly worried that Trump is going to derail the green transition and Singapore should remain first in terms of his commitment to green transition. I mean it's as I mentioned, Singapore was very proactive, they wanted to be the hub for the carbon trading industry. I'm not sure the carbon trading industry is going to be as big as we thought it was going to be now that price of green transition has come down, but it's lower than the carbon tax, the threshold at least for that. But the more important thing is that regardless of the progress we made in terms of capping the carbon emissions, the temperatures will rise, you're going to have the melting of the ice, sea level is going to rise, and there's going to be a lot of investment adaptation to protect the infrastructure and fiscal infrastructure and building and I think Singapore is committed to that. It set aside SGD100bn to basically climate-proof the infrastructure and they should go ahead with that, and I think if it does that Singapore may come up ahead of many countries in terms of providing a location and a safe haven from the weather.

Taimur Baig

But in terms of the regional aspect, because one city-state cannot do this alone, are you a little frustrated like I am that we're not having enough progress, say, on the regional electricity grid, or, Indonesia, Malaysia, Singapore thinking cohesively and holistically together on greenification of their economies.

Khor Hoe Ee

On the green transition, I think there's a lot of goodwill and discussion about how they should work together because it's a win-win kind of thing. There may be some case of Indonesia, they want to promote or develop their green industry, especially since they're

bigger. And they want to build a factory; they want to build the EVs and use that to industrialize the economy. But that doesn't clash with, I think Singapore's own interest. I mean Singapore should actually be an investor in those industries itself. You can benefit from that because that's the industry of the future. And there's no reason for Singapore to compete with Indonesia in those areas. The bigger problem I think that Singapore is having is the transmission of electricity from Laos down to Singapore. Along the way, apparently, Thailand and Malaysia wants to have a cut of the fee or something, and that's preventing the arrangement for working out, but I think market forces are more powerful in this case, because the economics now helps, before when green energy was very expensive, it would take a lot of work to get the countries cooperate and make sure that you know these things. But I think now that the cost of green energy is much lower. I think market forces on their own are going to help to drive the process rather than a regional agreement. Although of course regional agreement always helps.

Taimur Baig

So, implicit in what you're saying is an expression of optimism of the technological progress of China because they seem to be the leaders in this area, with the US sort of having abdicated it. So, let's hope that Chinese tech, subsidized or not subsidized, as long as it's cheap, we should just take it and finance our green transition with that.

You were talking a little bit earlier about Singapore's shock absorption capacity in the context of Singapore's large reserves and how that helped prevent scarring from the 2020, 2021 pandemic. So, would you like to expand on that issue a little bit that Singapore has a social imperative for inclusive growth. So, what kind of policies would you like to see to address that, given still, quite a bit of dialogue going on in this economy about the inequality situation?

Khor Hoe Ee

Yeah, it's probably the most delicate issue for Singapore, inclusive growth in the sense that,

Singapore is a small city-state, it's very diverse, it's aging, it's shrinking, and we need the immigrant population. I mean, that's uncomfortable truth in order to sustain our growth, remain dynamic and support at the same time. I think the local population feels that there are times when there are too many foreigners in the country and it's getting crowded out and you know they are benefiting much more than the local population is. We take Grab and one thing that struck me is many of them are relatively young and they used to be middle managers somewhere, but they lost their job and they ended up doing Grab driving. So many of them do feel the pressure from the foreign population. And then there's a lot of report nowadays about how the local business, SMEs are closing down because they cannot afford the rent and there are new ones coming in, but they are mostly foreigners, the new immigrants. So, I think on the one hand, we do need the new immigrants but at the same time, we need to deal with the concern of the local population that they are being squeezed out, and the cost of living is rising because of them. So, fortunately, I think the government has sufficient financial resources to be able to come up with a more generous social compact to address, especially the vulnerable group to provide them with a basic minimum income. I mean that's more affordable housing and security, that's been the main complaint. I mean, not just from the low-income group, but even for the middle-income household. So luckily, I think the Singapore has the HDB program, I think that has probably elevated, mitigated a lot of the concern among the Singaporeans, but because they can afford to do more, I think they ought to do more and going forward, as I said, there's going to be a disruption in the employment, there's going to be the gig economy and it is going to get bigger. And they need to address the needs of the gig workers because most of them need to have a CPF account so that they can save for retirement. I mean most of them don't contribute to that. We have to find a way to address that problem and the healthcare benefits, I think most of them are probably on the very basic healthcare, and we need to do better than that. So, there's a lot of these kind of social issues that need to be addressed,

and I think we have the resources to deal with that kind of issues. And at the same time, I think we need to make the foreigners who are becoming citizens feel accepted as citizens and I think this was something mentioned by Gan Kim Yong, the Deputy Prime Minister, recently in a speech that he was making. So, I think this is an area which is most delicate and difficult for the government to deal with. But you know, the fact of the matter is that we need the immigrants in order to grow. Of course, I think one of silver lining from AI and robotics and all that is that we are aging very rapidly and the population is shrinking, and in future, I think humanoids may be able to replace some of the shortage of labor, but even so, we need the immigrant population in order to balance the ratio.

It's a transition problem, as I mentioned, the AI into the economy and I think it can be managed with the resources that the government has.

Taimur Baig

So on the gig economy side, I mean we've seen this issue play out in certain states in the US where people who drive for ride sharing companies or who work in very loosely structured contracts with large tech companies, that the regulators, the local governments have stepped in and said that those employees should be seen as full-time employees. They're not just part time. Therefore, they should be given provisions of retirement savings, health insurance, and so on. Would you want more regulatory intervention like that in Singapore?

Khor Hoe Ee

If we need to in order to make sure that they are well provided for in old age and they have sufficient medical benefits and all that. But there may be other ways to do this. Personally, I haven't studied this issue well enough, but I agree that it is an issue and if you don't deal with it now, you have to deal with it later, as the population continues to age, and you know how it is for most gig workers. They are very short term. They prefer not to contribute to CPF if they can. And if they do, they contribute a minimum amount and so they end up at the end, when they retire, they don't

have sufficiency. This was the problem for, what do you call it, the Merdeka generation but I think that generation basically at that time, the CPF cover was not very expensive, and many of them, their incomes are low anyway, so they don't have sufficient savings to provide for the retirement. But I think now we should be a lot more forward-looking and proactive in terms of dealing with the problem before it becomes a problem.

Taimur Baig

Singapore has a fairly flat income tax structure. Would you want a more progressive taxation system?

Khor Hoe Ee

I don't think we need a much more progressive tax system, if you look at the budget. They balance the budget every 5 years and have a surplus, at least last year they had, about 1.5% surplus. So, I think that the revenue that's coming in looks like it's sufficient to be able to pay for some of these new initiative and all that. I mean, of course, if you need more money, then it's a different issue. California or US, they're running out of money, and we need to tax the billionaires and even there you get a pushback. But Singapore, I think we've been quite fortunate that the sovereign wealth fund has been able to generate sufficient savings to cover, the gap between tax and expenditure. But, even so, I think, Singapore is very conservative in the sense that even for capital expenditure, a lot of it comes from current revenue rather than, in the form of a bond or something, and they should stretch out the burden into the next generation rather than bring on the current generation. So that way you are able to reallocate your spending to other priorities.

Taimur Baig

Right. Consumption smoothing, expenditure smoothing. Hoe Ee, you spent a full decade running a regional multilateral organization. You worked a lot on the regional vulnerabilities, the importance of regional integration. So now that we are in this rather uncertain world, tariff and great power rivalry, balancing with AI disruption and green transition and so on. So, what is the outlook

for regional integration? Do we need a United States of Southeast Asia?

Khor Hoe Ee

Well, we're talking about the development of multipolar world rather than the time when the US is the hegemon and basically set the rules, it's probably over. But originally you already seen different blocks in form, which is not a bad thing. I mean, you look at ASEAN. It's been a struggle to build up over the years, but ASEAN, I think has grown and become much more mature now, and it's able to convene, for instance, a leader summit where it's able to get the President of the US and China to come together and talk and all that. This is a collective action problem. We know that.

ASEAN is a very diverse region, and there are differences of views and interests. Even the border dispute between countries. So, it's always a journey, a mission and a goal rather than something that you can put together and I work in AMRO, and in the last 9 years that I was there, it was trying to basically consolidate and build up AMRO to the point where it's taken as a credible entity.

And then I think and sitting around the table with all the different countries, you can tell that and everybody has goodwill, they want to be able to collaborate, but there are times when you know there are real differences of interest and that prevents them from coming, reaching a consensus. But the fact that you do sit together and talk is very important, and I think that should continue, regardless of Trump. And my sense is that the rest of the world actually feel that this is a good thing anyway and would like to continue, despite Trump's. I think now that Trump has decided to declare war on Europe. I think we're going to see a much more independent Europe, a much more multipolar world where ironically, I don't know what the dynamics works like. It may be that when you have more different centers, big enough, you get to a more stable equilibrium than if you have a hegemon or only bipolar world.

Taimur Baig

Yeah, because you will not have sufficient clout to bully anybody because there will be large enough blocks around you to push back. Final question, since you brought in Europe, so the European Union has been a pretty big experiment, common currency, border controls are looser, vis a vis travel, a lot of labor mobility. So, are there some lessons from the EU experiment for ASEAN, both what to do and what not to do?

Khor Hoe Ee

I'm not fully conversant in the EU framework, but I know that, for instance, it was a big success for them to be able to form the union and have a common currency. And that was because of the Second World War. They want to prevent war and it's amazing when you go to Europe, you can travel freely across and all the countries, go on Schengen visa. And I think if we can establish that kind of arrangement in ASEAN, it'll be fantastic, where you can travel freely across different countries without having to get visas and all that, but of course, you know, the problem with that arrangement, they forget the financial discipline and as a result, this happened because of market forces in the countries like the peripheral countries like Greece and Italy to take advantage of the common currency to borrow to bail out. But if you visit Spain, you can see the infrastructures are new. They actually benefited from that, but of course they got into debt problem later on. So, we can learn the lessons from EU in terms of what kind of financial arrangement of fiscal, monetary that we need in order to make sure that we don't have that kind of issue because I think the problem for ASEAN is that in Europe it's anchored basically by France and Germany. I mean here in the region, I don't think, countries are big enough to anchor this union yet, but the arrangement that we have, I think is flexible and it can be made better and allow freer flow of goods, services and investment across the region. And I think that would be a very good move for the region.

Taimur Baig

Indeed. As the single currency zone was being prepared, there were a bunch of

convergence criteria. I suppose within ASEAN, conversion criteria is hard to set up because, as you heard earlier point, it's a very heterogeneous region with very well. The very developing economies and very aging and very young economies and in some cases, the borders are not as settled as they were in Europe. So, I suppose it's a work in progress for ASEAN. We could work toward that, but it's got way to go.

Khor Hoe Ee

And we should continue working towards it because we shouldn't give up because a lot of people say ASEAN is a sleepy giant, they talk a lot, but they don't get a lot of time. I don't think that's true when you look back over the last 50 years.

Taimur Baig

Absolutely. I mean, the testament of that is when I look at a phone or some computer, components are from various parts of Southeast Asia. They move tariff-free, and that itself to me is a big accomplishment.

This was fantastic. Thank you very, very much for your time and insights.

Khor Hoe Ee

Thank you for inviting me.

Taimur Baig

Great to have you back. I also like to end the podcast by thanking our listeners.

Group Research

Economics & Strategy

Taimur BAIG, Ph.D.

Chief Economist

Global

taimurbaig@dbs.com

Wei Liang CHANG

FX & Credit Strategist

Global

weiliangchang@dbs.com

Mo Ji, Ph.D.

Chief Economist

China/HK SAR

mojim@dbs.com

Tieying MA, CFA

Senior Economist

North Asia

matieying@dbs.com

Sherilyn Hui Min CHEW

Multi-asset strategist

Global

sherilync Chew@dbs.com

Byron LAM

Economist

China/HK SAR

byronlamfc@dbs.com

Radhika RAO

Senior Economist

Asean/EU/South Asia

radhikarao@dbs.com

Nathan CHOW

Senior Economist

China/HK SAR

nathanchow@dbs.com

Violet LEE

Associate

Publications

violetleeyh@dbs.com

Amanda SEAH

Credit Analyst

USD, SGD, AUD

amandaseah@dbs.com

Han Teng CHUA, CFA

Senior Economist

Asean

hantengchua@dbs.com

Tracy Li Jun LIM

Credit Analyst

USD, SGD

tracylimt@dbs.com

Daisy SHARMA

Analyst

Data Analytics

daisy@dbs.com

Ian Haan CHUI

Credit Analyst

USD

ianchui@dbs.com

Teng Chong LIM

Credit Analyst

USD, SGD, AUD

tengchonglim@dbs.com

Joel SIEW, CFA

Credit Analyst

USD, SGD, AUD

joelsiew@dbs.com

Dexter CHUN

Credit Analyst

USD

dexterchun@dbs.com

Eugene LEOW

Senior Rates Strategist

G3 & Asia

eugeneleow@dbs.com

Mervyn TEO

Senior Credit Analyst

USD, SGD, AUD

mervynteo@dbs.com

Iris GAO

Credit Analyst

USD

irisgao@dbs.com

Lilian LV

Credit Analyst

USD

lilianlv@dbs.com

Samuel TSE

Rates Strategist

Asia

samueltse@dbs.com

Philip WEE

Senior FX Strategist

Global

philipwee@dbs.com

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates, Digital Assets or Commodities)¹

The information herein is published by DBS Bank Ltd and/or DBS Bank (Hong Kong) Limited (each and/or collectively, the "Company"). It is based on information obtained from sources believed to be reliable, but the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. The information herein is published for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and/or employees may have positions or other interests in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for these companies. The information herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction (including but not limited to citizens or residents of the United States of America) where such distribution, publication, availability or use would be contrary to law or regulation. The information is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction (including but not limited to the United States of America) where such an offer or solicitation would be contrary to law or regulation.

[#for Distribution in Singapore] This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) which is Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 65-6878-8888 for matters arising from, or in connection with the report.

DBS Bank Ltd., 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.

DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

DBS Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability. 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

¹ This disclaimer may not apply if the applicable assets fall within the definition of 'financial instruments' that are set out in Article 2(1) EU MAR (e.g. financial instruments that are traded on a regulated market, MTF or OTF, etc.). Section C of Annex I of MiFID2 specifies these 'financial instruments'.