

Singapore as a hub: Renewing Asean's relevance

The role of a hub is changing with the pandemic and digitalisation. Singapore can reconnect more strongly with the region in a different way to strengthen its role in Asean.

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The region is entering a difficult period with pandemic numbers climbing and closed borders hitting business, trade and tourism. Economies are slowing or even contracting. Some voices in neighbouring countries are turning towards nationalism and protectionism – becoming less open to foreigners and the world.

This impacts all countries but especially Singapore, which has served as a regional hub. Yet there remain reasons for Singapore to engage and find new ways to move forward and outward into Asean.

From its beginning during the Cold War, Asean has been a bulwark to stabilise the region.

As Asean economies prospered

and opened to global investment and trade, Singapore also benefited as a hub. Asean just marked its 53rd year on Aug 8 and Singapore its 55th National Day one day later.

How is Asean responding? What are Singapore's needs and opportunities as a regional hub? Are new strategies needed?

ASEAN AND THE PANDEMIC

In initially facing the pandemic, Asean-wide efforts were useful. Asean Special Summits on the pandemic in April provided signals of high political will, showing unity within the group and cooperation with external partners. Working-level networks to exchange information and best practices also helped, such as the Asean Emergency Operations Centre Network for public health emergencies. Asean cooperation fosters a baseline of efforts and helps maintain strategic balance amid the Sino-American conflict and pandemic diplomacy.

But while Asean is complementary, the primary response remains with each national government. Each has acted in different ways, with diverse results. Some did relatively well.

Vietnam locked down quickly, reporting low numbers, and was able to reopen its domestic economy (although it is currently fighting a second wave of infections). Others struggle. Indonesia and the Philippines now report the highest number of Covid-19 infections.

As restrictions ease, there are also emerging signs of political instability – not only politicking between government and

opposition but also schisms within government coalitions and protests from sectors of society. Consider Malaysia and Thailand.

The politics intertwine with economic difficulties. Across the region, growth projections have been cut. Asean is predicted to shrink by 2.7 per cent this year, the first contraction since the Asian Financial Crisis back in 1997 and 1998.

Yet, Asean's prospects remain relatively bright. The United States and the European Union will shrink by 6.1 per cent and 9.1 per cent respectively. Emerging markets, like South Asia and Latin America, are severely hit, with the number of cases spiralling.

The path ahead will not be easy, but looking for regional opportunities must be a necessary component for Singapore.

RECONNECTING

Our country's regional engagement has grown from the 1990s, not only politically but also with substantial trade and investment. Fly-in and fly-out routines underscore not only Changi Airport's passenger numbers but also Singapore's role in business, investment, finance and advising across the region.

This role as a hub did not serve only Singaporean companies. Many multinational companies positioned themselves here to serve the region, while having little to no business on the island itself.

The pandemic has all but cut off short-stay travel as the usual way of doing business. Some have adapted and “zoomed” around via online platforms rather than jets. But not all transactions are amenable.

Reconnecting to the region is, therefore, a priority.

Even as health precautions continue, special green lane and “travel bubbles” are being negotiated. Arrangements covering six regions in China, and with Malaysia, have been agreed. Others are needed – with both Asean and non-Asean partners.

Singapore's reputation, reliability and transparency can offer increased assurance for incoming and outgoing travellers. Strong testing capabilities, sound administration and enhanced capabilities to trace contacts help people reconnect safely and protect our community against imported surges. By such means, Singapore can serve as a hub and transit point for essential businesses. The more countries we can connect with, the greater the relevance and value generated.

NEW REGIONAL STRATEGIES

The role of being a hub is changing not only because of the pandemic but also because of trends already emerging and now accelerating, such as the fourth industrial revolution. Our country and companies must adapt.

Digital capabilities are now an obvious must-have. Accompanying this, logistics to complete the last mile must be more efficient and seamless. Asean-wide digital efforts started when Singapore chaired the group in 2018 and the first Asean Online Sale Day launched this year is an early example of efforts that lie ahead.

New capabilities are also needed for in-person and in-country business. Rather than being

Singapore-centric, the need is to listen and respond to the economic priorities of our neighbours. One goal espoused by many countries – especially Vietnam and Indonesia – is to anchor and move up global value chains.

This possibility has increased as Sino-American tensions lead more companies to move production outside of China, with some looking to our region. But there must be complementary capabilities and strategies.

Plans for the Asean 2025 Vision are currently under way, and a mid-term review to reassess priorities should be accelerated by governments. This would better place the region as a whole to capture global supply chains and resist protectionist voices. Singapore as a hub should strongly support economic integration so that relevant parts of the supply chains can be linked back.

There are some sectors where Singapore's experience and expertise can match what regional partners need. One is to provide finance as well as advisory and legal services. Another sector is in infrastructure, especially in transport and energy. Singapore's record is strong and its plans for further developments in Tuas, Mandai and Changi Airport will be new reference projects – especially if these are not only upscaled but also made more efficient, resilient and sustainable. Agility in adding these capabilities together – to advise, plan, implement, finance and govern as flexible packages – will be another key.

UNDERLYING ATTITUDES

These new capabilities must be geared up quickly. Looking ahead, preparations are also needed for future engagement, and many relate to underlying attitudes.

To continue and deepen as a hub, Singaporeans need to be more knowledgeable and attuned to the region. Educating and equipping Singaporeans with skills to be region-ready must begin early. The Government's Asia-Ready Exposure Programme to support student exchange programmes to Asean cities, India and China is a good first step.

Conversely, training and educational opportunities are also needed for others in the region, as they try to move up the value chain. Helping our neighbours improve their skills, whether they are in Singapore or in their home country, would be a vivid demonstration of win-win cooperation.

The coming months will be critical. Much effort is needed to boost the domestic economy, including the creation of new jobs. But moving in tandem, ways must also be found to re-engage the region. Discussions in the Emerging Stronger Taskforce, organised by the Government, will gain from considering how to sharpen and hone Singapore's capabilities as a regional hub.

When a storm strikes suddenly and severely, closing the doors is instinctive. But keeping them shut would ruin Asean's efforts to bring the 10 member countries closer together as a community that is globally competitive and is bad for Singapore as a hub. Caution is needed in reopening, but if done correctly, the doors will lead to new horizons.

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