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### Asia in 2015: A lookahead

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# ASIA IN 2015: A LOOKAHEAD

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*Inequality, productivity, and good governance are the keywords for 2015*

On December 15, Hong Kong police cleared the last barricades in Causeway Bay to end 79 days of standoff between pro-democracy protestors and the authorities. The conflict stemmed ostensibly from Hongkongers' demand to elect their own leaders instead of choosing from a list of Beijing-approved candidates. There is a more fundamental issue involved here: inequality.

"In the Middle East, we saw an Arab Spring. For Hong Kong and China, I see potentially an Asian winter of discontent," cautions **Ho Kwon Ping**, Chairman of Singapore Management University's (SMU) Board of Trustees and founder of hotel chain Banyan Tree. "We in East Asia – be it Singapore, Hong Kong, Taiwan, or ASEAN – used to think that we could be insulated from what was happening in the Middle East because, relative to them, we were far more affluent.

"The point is: It's relative inequality that counts. Relative inequality is extremely high in Hong Kong – the housing inequality index there is the highest in the world. That inequality in Hong Kong is going to be manifest in young people's discontent."

## Capital (and inequality) in the Twenty-First Century

Ho was speaking at the recent recording of a discussion panel for Singapore-based station Channel NewsAsia's Perspectives programme, "*The Year Ahead 2015*". Echoing Ho, SMU Professor of Public Policy **Ann Florini** emphasised that "inequality will be a dominant issue for 2015 and for many years to come".

"For Hong Kong and China, I see potentially an Asian winter of discontent."

Pointing to economist Thomas Piketty's book "*Capital in the Twenty-First Century*", Florini said that if Piketty was right in saying that "the relative equality for much of the 20<sup>th</sup> century was a result of two world wars and an economic depression that disrupted the traditional power structure, (then) we need to think in policy terms about how to deal with inequality successfully without having to resort to another depression or another world war."

On the links between democracy and inequality, she adds, "Primarily, if people are not satisfied with 'Do we have jobs? Do we have a good living standard?' you then get even more intense pressure for democratisation. I think because of the kind of inequality that we're talking about, in societies that aren't already democratised, you'll see more pressure in the way of 'Give us the vote and let us make choices.' In societies that are democratised, however, where people already have the vote, it then becomes 'Why do we still not have jobs?'"

## The need to increase productivity

The panel also touched on how technology is changing employment worldwide.

“A lot has been said about how technology is destroying jobs, and destroying them at a faster rate than new jobs are created by digital technology,” says **Michael Pulch**, EU Ambassador to Singapore. “That’s why every country needs to maintain a certain manufacturing base.”

ASEAN, whose countries have benefitted from companies moving out of China because of rising manufacturing costs, might be glad to hear about how important manufacturing is in providing employment. But in a [recent report](#) by global consulting firm, McKinsey, it has been found that average labour productivity across ASEAN excluding Brunei and Singapore is about 40 percent lower than in China. Vietnam’s average labour productivity in the manufacturing sector is only seven percent of that in China, although that is partly offset by its average factory labour costs – US\$7 a day compared to US\$28 in China. Indonesia, The Philippines, and Thailand are all some way off China’s productivity level.

“Productivity is key,” Pulch says. “The future is small and medium enterprises (SMEs). We see that all around the world. 80 percent of the economy in Europe is SMEs. They are innovative and drive new developments, and SMEs in Singapore should do the same.”

“Education and training – we have to do more of that,” urges **Tan Sri Dr Munir Majid**, Chairman of CIMB ASEAN Research Institute. “In our region, productivity is not high – we rank even lower than China. We have to use technology and human capital to improve productivity. An example is banking: don’t build bank branches because they cost money, but instead promote banking on mobile phones because everyone has a mobile phone these days. Even Myanmar’s internet penetration has gone from four percent to 12 percent.”

## Good government needed

With the challenges laid out, the panelists point to the need for governments to be inclusive.

“What governments need to do is understand they need to work in partnership with civil society organisations and the private sector more deeply than they have up to now,” Florini advises. Pulch, meanwhile, highlights the need for “the rule of law, and doing away with red tape; these are key ingredients for your economy and society”.

Majid pulled no punches: “Government leaders are fond of telling people in the private sector, ‘You must change, and you must adapt etc.’ But one of the most important things is that there must be political change management as well. Governments must be more responsive to the changes. Governments must ask themselves, ‘Are we doing the right job in the right way? Do we have the right people? Are we using the right methods?’”