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Review - Others
Time to count our blessings

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DECEMBER is a great month to be in Singapore. The northeast monsoon passes through. It rains regularly. Temperatures fall. Cool breezes flow. Parents leave town with their kids. Traffic jams diminish. All this provides a great setting to sit back and reflect on the year. Once again, Singapore has many blessings to count.

2009 may provide a new record for economic forecasts. When the year began, the Singapore economy was forecasted to shrink by up to 8 per cent. As the year ends, it appears the real figure will be close to -2 per cent. A 6 percentage point improvement in economic prospects is among the greatest improvements Singapore has experienced within one year.

The developed economies, Singapore's natural peer group now, continue to suffer high unemployment. The United States hit a high of 10.2 per cent, Britain 7.9 per cent, France 8.3 per cent and Ireland 12.5 per cent.

The story of Ireland is a particularly telling one for Singapore. Until 2007, it was assumed it was destined to perform like an Asian tiger economy. Instead it has suffered a spectacular economic meltdown with its gross domestic product shrinking by 13.6 per cent from its peak. Property prices have gone down by 18 per cent.

At the beginning of the year, it looked as though Singapore could have gone the way of Ireland. Property prices were heading south. Unemployment began to rise. Yet the combination of prudent savings over the years, a series of well-timed and well-thought-through domestic measures, and effective stimulus packages in China, India and Indonesia, helped Singapore to avoid the worst-case scenario. By the end of the year, Singapore's unemployment rate was much lower than that of any other country in the Organisation for Economic Cooperation and Development.

This is the second time that Singapore has sailed through a major economic storm and emerged relatively unscathed. The first time, of course, was the Asian Financial Crisis of 1997-98. This remarkable performance confirms that in the area of governance, Singapore has achieved something that deserves mention in the Guinness Book of World Records.

The Great Recession of 2008-09 has also signalled the end of the Reagan-Thatcher revolution, which emphasised the importance of the invisible hand over the visible hand, and a return to the old-fashioned balance between the visible hand of good governance and the invisible hand of free markets. Few countries can match Singapore's record in maintaining just that balance. This is a blessing we cannot take for granted as it takes exceptional performance to achieve the right balance.

Another blessing we have is the confirmation that we are located at exactly the right place at the right point in history. With the era of the Western domination of world history coming to an end - an end that has been accelerated by this crisis - and the return of Asia, it seems clear that Asean will play an increasingly important role in managing the great geopolitical shifts under way in our region. I remain amazed that many thoughtful observers of geopolitics are often amazed when I speak of the centrality of Asean. Let me provide one simple piece of empirical proof.

There is only one regional organisation in the world that has signed free trade agreements (FTAs) with all the major and middle economies of the Asia-Pacific region. And guess what? Many of these FTAs will come into force in the next year or two: Asean-China, Asean-India, Asean-South Korea, and Asean-Australia next year, and Asean-Japan in 2012. If these FTAs fulfil even half of what they have promised, Singapore will be surrounded by an immense amount of trade creation swirling around its region. This is why it has been strategically wise for Singapore to continually strive to strengthen Asean in all its dimensions. We must never take our blessings for granted.

A third blessing Singapore has is that the return of China and India as two of the world's leading economies will happen sooner rather than later. When boulders begin to roll down the mountain and

begin to gain momentum, they become unstoppable, even if they encounter many bumps as they roll down. Indeed, the Great Recession should have been a major bump for the Chinese and Indian economies. Instead, under the worst possible global economic circumstances, China's economy grew by an estimated 8 per cent and India by 6 per cent. It is hard to provide more vivid proof of boulders gaining momentum.

Clearly, companies around the world will want to engage both China and India. To engage China alone, Hong Kong might provide the best entry point. To engage India alone, Dubai may be sufficient (although its prospects look somewhat dubious now). However, to engage both China and India simultaneously, the best city to locate oneself in is clearly Singapore. It is within six hours' flying distance of most major Chinese and Indian cities. And equally importantly, Singapore enjoys cultural comfort with both societies. In short, the centre of world history is rolling down to our doorstep. What bigger blessing can one ask for?

However, having lived for over 60 years and experienced many ups and downs in my life, I have come to realise that after every shower of blessings, there inevitably comes a downturn, perhaps even a tragedy or two. This pattern of ups and downs is a persistent feature of life. Hence, even while we enjoy our current shower of blessings, we should be psychologically prepared for the next downturn. And we could experience severe problems, or even a tragedy or two, even if we did all the right things. No one has yet found the secret formula to avoid disruptions and tragedies altogether. Singapore is no exception.

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