The Asia House Global Trade Dialogue

Highlights and analysis from the Asia House conference in Singapore

7 November 2019
Mandarin Oriental Singapore
The Asia House Global Trade Dialogue

IN NUMBERS

10 SESSIONS

21 SPEAKERS

350+ DELEGATES

250+ ORGANISATIONS
Asia House returned to Singapore on 7 November 2019 to convene its major international conference: The Asia House Global Trade Dialogue.

Senior figures from policy, technology, business and regulation took part in the forum, which brought together more than 350 delegates and media from around the world.

Sponsored by Accenture, Arup and Pfizer, the conference put the key issues facing global trade in the spotlight, with the US-China trade war, RCEP developments, and the influence of tech and big data in global trade all on the agenda.

*The key word of the conference was DATA*

*It was invoked on every panel, from discussions on future trade policy to the transformation of urban life*

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The Asia House Global Trade Dialogue was also sponsored by Accenture
The spoils of the digital revolution must be shared equally to counter the rise of populism, Singapore's Minister for Communications and Information told the conference.

S Iswaran, who is also Minister-in-Charge of Trade Relations, warned that the effects of globalisation and digitisation are exerting pressure on jobs and businesses, leading to pushback against the current global system and “the rise of populist sentiments.”

An inclusive approach is required to restore faith in the system and secure a positive digital future for Singapore, he said.

“Globalisation and technological change can create much value and opportunities, yet cause profound dislocations for workers and businesses,” the Minister said during the keynote speech.

“Unless there is a fair distribution of the larger benefits, the natural instinct is to push back against greater competition and disruptive change. Our efforts to embrace technology and economic integration must therefore be matched by an equitable distribution of the benefits.”
Gloom for global trade outlook amid tech and data tensions

Tensions over technology are driving the US-China trade dispute, which is rapidly evolving into a tech war, according to former US Trade Representative for Southeast Asia and the Pacific, Barbara Weisel. The Managing Director, Rock Creek Global Advisors, said the ‘phase one’ deal being negotiated between the US and China “hasn’t touched what’s really at the heart of this, which is the tech war.” Weisel said structural concerns, such as tech and IP issues, aren’t covered by the “transactional” deal, which leaves room for uncertainty. “The tech war is expanding,” she said. “And it’s not being addressed.”

Weisel was joined by senior figures from policy and investment at the dialogue to discuss the global trade outlook, with US-China tensions emerging as the key conversation point. Asked by Michael Lawrence, Chief Executive of Asia House and conference chair, whether Beijing needs to pick up the pace of market reforms, Victor Gao, Vice President, Center for China and Globalization, said China has been reforming for decades.

“For the last 41 years China has always been reforming itself, politically and economically,” Gao said. “Without major reforms in China, how could you explain the Chinese economy’s transformation?”

For Victor Chu, Chairman and CEO, First Eastern Investments, current global conditions are not conducive to investor confidence. Citing the trade war, Brexit and President Trump’s impeachment proceedings, Chu said the private sector “will be second guessing” the markets in the months ahead. “We’re going to withhold a lot of our investment decisions,” he said. “It really makes me worry about FDI around the world.”

However, Anne Ruth Herkes, former State Secretary, German Ministry of Economic Affairs and Energy, saw cause for optimism in the EU-Singapore FTA and the Regional Comprehensive Economic Partnership. “This is what we need and where we want to be,” Herkes said. “We live in an interdependent world. That is what we wanted – now we have to shape that world.”
Governments around the world must invest in reskilling their populations as the digital revolution transforms the global economy, Arancha González, Under-Secretary General, United Nations, said during a discussion with Asia House Chairman Lord Green. González, who also serves as Executive Director, International Trade Centre, urged policymakers to recognise the tech-driven changes taking place.

"A country like Denmark, where there is big support for international trade, spends two per cent of GDP on active labour market policies, meaning those who lose their jobs because of the digital revolution get support to go back into the labour market," she said. "Germany spends 1.2 per cent of GDP on active labour market policies. In the US it’s 0.1 per cent."

González stressed that such domestic issues must be addressed if the global trade system is to endure. If they aren’t, "political support for open markets will gradually erode."

In a wide-ranging conversation, González also revealed ongoing debates within the World Trade Organization (WTO) around data and its implications. "Where will the data sit? Who will own it? How will we protect it?" are all being asked by member states, González said, as data issues disrupt global trade and policymaking.

The ongoing question of WTO reform also arose, with Lord Green identifying “work that needs to be done” to bolster the organisation. "We want a WTO which has strong arbitration, makes strong dispute resolutions, and is authoritative, so that counties around world respect its decisions and abide by them,” he said.
Banking sector faces “tremendous threat” from big tech, Stuart Gulliver warned

Global banking faces a “tremendous threat” from big data companies, the former Group CEO of HSBC, Stuart Gulliver, said during a Q&A with Asia House Chief Executive Michael Lawrence.

Gulliver said challenges to the banking industry are “primarily coming not from FinTech, but big tech.”

While digital innovation across personal finance will impact on retail banking, “big tech, the big platforms, absolutely are a threat to traditional banks,” he said.

Gulliver cited the huge data pools that big tech companies can draw on as a key area of concern for the banking sector, as these will enable tech platforms “to bank companies, particularly SMEs, that the traditional banking system would struggle to.”

Data driven decisions

“A lot of very small SMEs don’t have audited accounts or tonnes of collateral to put up. But if you have the data going through to make decisions based on AI and machine learning – because you are in the ecosystem in which the SME buys its supplies and sells to consumers – you can make probably a better-informed credit decision than a human could within a bank.”

“It wouldn’t surprise me if in ten years’ time, HSBC looked more like it did in 1865, when it first started,” he said. “It was a corporate bank that financed maritime trade, banking small, medium sized and large corporates, and it didn’t have a retail piece.”

US-China trade deal

Gulliver also addressed the US-China trade tensions and the outlook for the global economy. Commenting on the ‘phase one’ deal between the US and China, Gulliver opined that the deal fails to address key issues at the heart of the current tensions, including Intellectual Property rights and “the business model of the Chinese state.” But he was broadly optimistic about the state of the world economy, citing a stronger-than-expected US performance and a flattening yield curve.

Bull market

“We’ve got reasonably strong signs of a prolongation of US GDP growing in a positive way,” he said. “What’s going to be in the back of everyone’s mind is that we’re at the very late stage of a bull market, and the extent to which that bull market can continue, and on what basis it continues, is the question that everyone investing money has to deal with.”

WATCH Stuart Gulliver in conversation with Michael Lawrence at asiahouse.org
Southeast Asia’s internet economy will be worth US$300 billion by 2025, according to a new Google and Temasek report. Alongside the commercial opportunities this will bring, the digital revolution could see companies “completely re-imagine” their business models and herald unprecedented social benefit, a panel of leading industry figures told the forum.

Stephanie Davis, Managing Director of Sales and Operations for Southeast Asia, Google, said the growth rate of the region’s digital economy has hugely outstripped expectations. “In 2015 we estimated that by 2025 the digital economy would be US$200 billion,” she said. “Then in 2018 we said US$240 billion, and this year we said US$300 billion.”

Rapid progress in five out of six key digital areas “has really spurned things along faster than we had imagined,” Davis added.

The speed of this transition will bring profound change, even to sectors that have traditionally been slow to embrace digitisation, according to Pierre Gaudreault, President, Asia Emerging Markets Region, Pfizer Biopharmaceuticals Group. “It’s fascinating and perplexing to see how resistant healthcare was and still is to digital disruption,” Gaudreault said. But this will change as digital technologies redraw the process in which health products are developed and brought to market.
Artificial Intelligence (AI) and machine learning technologies are already transforming the trade and investment landscape. But a “growing trend globally” towards data localisation is a cause for concern, a leading AI figure and regulator told the conference.

Dr David Hardoon, Special Advisor (Artificial Intelligence), Monetary Authority of Singapore, warned against an approach to data that would see innovation stifled.

Echoing earlier comments made by Singapore’s Minister for Communications and Information, S Iswaran, Hardoon urged the corporate world to “stop referring to data as like oil, because it elicits this emotive response of ‘I need to keep this as close as possible’.”

In a lively presentation, Hardoon outlined the big issues facing AI and its application to global trade, in which he called for an approach which ensures privacy issues are addressed but does not encourage localisation.

“Locking data down” along geographical lines will not only disrupt consumer experiences, but will also lead to a fragmentation of risk, Hardoon said.

Data is, of course, at the heart of the digital economy. But its implementation goes beyond the commercial context between business and consumer. That same data can help SMEs access trade finance in ways previously unimaginable, as Fajrin Rasyid Co-Founder and President of the Indonesian unicorn Bukalapak, pointed out. “We can only grow so long as the merchants inside our ecosystem can grow;” he said, “so we also look at how we as a platform can help them grow.”

To stimulate that growth, Bukalapak is partnering with banks and FinTech companies to facilitate data-driven financing to help SMEs. “If merchants need financing we will ask them if they want their data shared with our financing partners,” Rasyid said. “We use the data to decide the amount of financing we want to give.”

Attitudes to data could hold back AI potential

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Asia’s FinTech revolution is forcing change

A recent report by McKinsey suggests that established banks risk becoming “a footnote of history” if they fail to embrace the opportunities emerging from FinTech. But how do disrupters and regulators anticipate the FinTech revolution playing out?

“It’s obvious that banks can no longer ignore FinTechs,” Marjan Delatinne, Global Head of Banking, Ripple, said. “It’s a question of survival at this stage,” Delatinne said, citing “large incumbents” such as Visa and Mastercard moving towards new business models. Banks need to change, she added, while noting the substantial challenges they will face in making such transformations.

For Eddie Lee, Regional Director of Operations, Revolut, collaboration is the way forward. “Partnerships are quite critical,” Lee said, adding that companies such as Revolut – which focus on creating a seamless experience for end users – see value in a collaborative approach with established banking players. “When we first started in 2015, many of the banks viewed us as a pure competitor, but the dialogue has evolved,” he said. “Revolut can be an incredible acquiring engine and partner for banks to [enable] a better customer experience.”

Asked by Michael Lawrence, Chief Executive of Asia House, if banks do indeed risk becoming “a footnote of history”, David Hardoon, Senior Advisor (Artificial Intelligence), Monetary Authority of Singapore, predicted a shift in approach.

“People need banking services. They don’t necessarily need banks,” Hardoon said. “I don’t think banks will become a footnote, but there will definitely be a change in what they look like and how they operate.”

WATCH the discussion in full at asiahouse.org
Asia is urbanising rapidly, with 350 million more people expected to be living in its cities by 2035. This trend will place pressure on current infrastructure and bring fresh challenges for city planners and policymakers – from issues around sustainability to the task of attracting talent.

Perhaps the biggest challenge relates to the environmental impact of urbanisation and the increasing threat of climate change. For Peter Chamley, Chair, Arup Australasia, a focus should be on resilience. He said cities should plan on the understanding that extreme weather events will happen, and ensure integrated systems are in place to enable water, power and food supplies to be restored quickly. “Cities working hard to build up their resilience is the key to dealing with climate change,” he said. “Rather than thinking “how we are going to resist [extreme weather]”, we should think about how we can get back on our feet.”

Technology will, of course, be integral to the cities of the future. Its role in urban infrastructure has already given rise to the phrase ‘smart cities’, and emerging tech is being embraced by planners across the region. One example was offered by Aileen Zosa, Executive Vice President of the Bases Conversion and Development Authority, The Philippines, who shared details of Artificial Intelligence and facial recognition being integrated into New Clarke City. “Facial recognition is vital for a special economic zone, for safety,” she said. “We are opening-up a new terminal building in Clarke airport, and technology can be harnessed to enhance safety and protection.”

While there is controversy around facial recognition, as Michael Lawrence, Chief Executive of Asia House and conference chair pointed out, it was a compelling example of how digital technologies are likely to shape the future urban experience.

Looking ahead, Alibaba Cloud’s Senior Product Lead, Jessie Yu, shared her insights on “the next phase of the smart city,” highlighting a strategic partnership with the Singapore Board of Tourism aimed at bringing physical infrastructure into the digital space and enabling global payments. “In our perspective, this is the next phase of the smart city. It’s about people. It’s beyond the traditional theme of traffic – it’s about how we can help people collaborate with the rest of the world.”
The Asia House Global Trade Dialogue attracted media from across the region, putting speakers and sponsors in the spotlight.

**GLOBAL MEDIA IN ATTENDANCE**

- BBC World News
- Bloomberg
- Business Times
- Channel News Asia
- CNBC
- The Economist
- Economic Times
- Financial Times
- FX Street
- South China Morning Post
- The Straits Times
- Tech in Asia
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