ASIA INSIGHTS

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AsiaReady Exposure Programme

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CONTENTS

The Future of Work in a Digitalised ASEAN

[Image by Pixabay]

As the COVID-19 pandemic forced social distancing measures around the world, companies have had to adopt flexible and decentralised work arrangements, spurring a digitalisation boom last year. The traditional concepts of a workplace, in-person services, and communication are all being challenged. However, alternatives and new opportunities have also emerged.

Will remote work become the norm?

Many are envisioning the post-pandemic future of work as businesses have created remote working conditions for non-essential services. Accounting and consulting firm Deloitte predicts that nearly 50 million people in the ASEAN-6 nations (Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam) could shift to remote work over a multi-year time horizon.

However, not all industries will adopt remote work. Finance, management, professional services and information sectors are more likely to do so compared to industries reliant on physical labour and fixed equipment. This affirms the likelihood that lower-skilled workers non-reliant on in-person labour are easily

But the pandemic has also highlighted how certain jobs are more effective when conducted in-person. These include coaching and counselling; building customer-colleague relationships; negotiating and making critical decisions; teaching and training; and collaborative work like innovation and problem-solving.

For employers, staff decentralisation offers significant savings and potential productivity boosts in reduced real estate, travel and infrastructure costs. This is especially so in dense urban areas of Thailand, Indonesia, and the Philippines. However, employers will need to invest in secure technology to deter cybercriminals. Businesses will also need to find ways to optimise goal-setting, team communication, work delegation, monitoring and coaching across all levels of management to reap the benefits of remote working.

For employees, remote work provides more time for themselves and their families. However, some have realised that dedicated workspaces are necessary to separate work and personal life, whileare worried about career progression since traditional performance measurements have become uncertain. Ultimately, people differ on health, self-motivation, home environment, and communication habits. These will affect how viable remote work will be to individuals once it is no longer mandatory.

What skills are needed for the future?

Last year, a World Economic Forum survey of 68,000 people aged between 16 to 35 found that ASEAN youths had become more tech-savvy and creative during COVID-19. Disruptions from the pandemic pushed the region's youth to explore alternative forms of education and income. Students grew familiar with online education tools, and young entrepreneurs turned to e-commerce to sell their products for the first time.

[Image by Unsplash]

Even so, research done by Oxford Economics in collaboration with Cisco predicts that by 2028, new technology will render 6.6 million workers redundant across the ASEAN-6 region (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam). These people primarily need IT skills or communication skills like negotiation and customer service. 30 per cent of the 6.6 million acutely lack the necessary skills for emerging opportunities such as: basic to advanced IT skills; operations such as installation and analysis; mathematics, science, management, and even basic reading and writing capabilities.

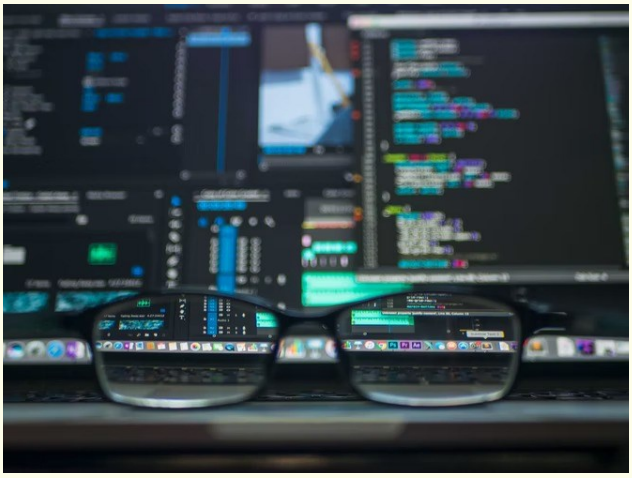
In contrast, there will be a net increase in demand for jobs in certain industries that can offset the displacement of low-skilled labour. This is because increased productivity enhanced by technology creates higher income. These industries include wholesale and retail, manufacturing, construction, and transport. In terms of occupation, the need for wise management of financial, material and personnel resources raises the demand for skilled managers. This is particularly salient in ASEAN where Micro, Small and Medium Enterprises (MSMEs) have higher manager-to-worker ratios. MSMEs are the backbone of the ASEAN's economies employing between 47 to 97 per cent of the working population.

For all workers alike, McKinsey & Company identified a range of skills which will be useful

On top of digital literacy and software capabilities, other valued traits were identified which do not necessarily correlate with higher education. These are listed character strengths such as trustworthiness, relationship-building, adaptability, emotional awareness, and self-management.

Gearing up youths for the future of work

In Singapore, the government is actively working with private companies to upskill the country's working population. Under the SGUnited Jobs and Skills Package, Workforce Singapore has multiple initiatives from virtual workshops to provide job-searching advice, virtual career fairs for networking, and heavily funded traineeships programmes for graduates to build work experience. They have listed their solutions online to make research, application and monitoring seamless for participants and relevant government agencies. For those who are still in school, the Ministry of Education has enhanced its National Digital Literacy Programme to cultivate the necessary talents for the future. Computational thinking skills are introduced in secondary school curriculums, while courses on digital and AI competencies are offered to those in higher education.



[Image by Kevin Ku]

In the wider region, ASEAN has been intensifying its efforts to accelerate the region's digitalisation process in inclusive ways. Announced in November 2020, the ASEAN Foundation has been collaborating with Plan Indonesia to address youth employment crises across countries in Southeast Asia, through "Bridges to the Future: ASEAN Youth Employment". This pilot programme is financially supported by Google, and mainly helps the youth with market-driven vocational training as well as job-matching assistance. Over two years, they intend to reach over 10,000 job seekers primarily in Indonesia and Vietnam. They plan to take the lessons learnt in these 2 countries and scale up the programme for youths across ASEAN in future.

The future of work is filled with opportunities for growth and exploration. As companies seek to optimise their operations, workers will need adaptability and be prepared as early as possible for the digital future.

Financing Southeast Asia's Green Recovery

[Image by Karsten Wurth]

In response to growing demands from citizens and customers, more countries and corporations than ever have pledged to substantially reduce their carbon emissions by 2050. Finance will be key in achieving these targets, and financial institutions worldwide are facing growing pressure from shareholders to stop financing high-carbon activities. Public and private organisations alike are leading the green finance movement, but as momentum grows, it is crucial to address greenwashing risks and ensure that green finance opportunities remain open to companies of all sectors and sizes.

Growing momentum for green finance in the public and private sectors

Green finance markets have predominantly employed financial instruments such as green bonds and sustainability-linked loans to increase investments in green activities. Bonds and loans are used when companies wish to borrow funds to finance their business or a project. Green bonds are bonds where proceeds can only be used to fund green equipment or projects.

On the other hand, sustainability-linked loans do not restrict the use of proceeds, but borrowers must make a commitment to sustainability performance targets and are awarded a loan interest rate reduction if these targets are met.

There is a growing need for the green finance market to go beyond these traditional tools to increase private sector investment into sustainable development. Singapore's central bank, the Monetary Authority of Singapore (MAS), is currently looking at blended finance, which initially uses capital from public or philanthropic sources to catalyse subsequent private sector investment in sustainable development. MAS, in particular, is looking at how blended finance can be used to incentivise investments in new and unproven green technologies, as well as ways to harness technology to increase the efficiency and efficacy of green finance projects.

Globally, the movement towards climate action and resilience has also increased the need to strengthen disclosures and data. New research has shown that sustainability reporting by Asian companies has improved and is fast catching up with disclosure quality in Europe. Independent environmental, social and governance (ESG) ratings and rankings are key to providing credibility to how a company has performed, and credible ratings depend on credible disclosures.

ASEAN in Transition

ASEAN has been stepping up its green finance efforts through platforms such as the ASEAN Capital Markets Forum (ACMF), which is a grouping of capital market regulators from the 10 ASEAN countries. The ACMF has the responsibility to implement initiatives to develop a regional capital market in ASEAN. However, many countries in Southeast Asia are still growing rapidly and face social challenges, with widely varying starting points with respect to sustainability. Therefore, the process of transitioning to a sustainable future needs to be inclusive.

That said, there must be a fine balance to avoid a "slippery slope" towards greenwashing, where companies falsely mislead that they are more environmentally-friendly than they really are. For example, there has been a growing focus on transition financing, which is any form of financial support that helps companies which may not yet be "green" to implement long-term changes towards decarbonisation. There is a risk, therefore, that a company might classify most of its activities as "in transition" without concrete plans towards decarbonisation. To remedy this, transition plans should be time-bound, with clear targets and deliverables. If it is determined that it is acceptable for certain sectors to continue with unsustainable business practices in the short-term, it is necessary then to define the specific assets within these sectors. Looking at similar efforts elsewhere, such as China or Europe, may also help to create harmonisation between standards to facilitate financial flows across borders.

In addition, it is important to look beyond the environmental aspects of sustainability. The social factor in ESG is difficult to quantify as there are no clear science-based methodologies that can be used. However, it is already gaining attention, including in ASEAN, where there have been recent controversies about forced labour in the palm oil and rubber industries. The European Commission has set up a working group to look into launching a social taxonomy, which will seek to define what a socially sustainable activity or company is.

Corporations in transition

For companies that are just beginning their sustainability journeys, the vast number of ratings and rankings can be confusing. It is important to first consult internal and external stakeholders to determine the material ESG issues for their business.

For example, businesses can implement a requirement for a board sign-off on sustainability disclosures, which invites boards and chairmen to play a more central role in providing direction on green investment decisions.

[Image by Lukas Blazek]

As opportunities in green finance are expected to surge, companies need to recognise that sustainability efforts are a necessary part of preparing themselves for the future. Companies should keep in mind that sustainability is a journey. Using existing data and available information channels is a pragmatic way to start. Instruments such as sustainability-linked bonds, which provide more flexibility on the use of funds than traditional green loans or bonds, can be of use to a wider range of issuers.

For companies, incorporating sustainability is not only achievable, but will also be rewarding in terms of stakeholder satisfaction and financial returns as the global momentum shifts towards a greener and more equitable economy. Green finance is also an area where Singapore, an established and trusted financial hub, is poised to punch above its weight. During US Vice-President Kamala Harris' recent visit to Singapore, the US and Singapore agreed to a climate partnership to advance collaboration on climate issues, which includes sustainable finance. This is significant as it represents a recognition of Singapore's integral role in global green recovery, despite Singapore's contribution of just 0.11 per cent of global emissions.

Role of ASEAN Youths

Green finance is a key lever to achieve sustainable outcomes. The finance sector, through its loans and investments, is in a unique position to influence the green transition as all organisations require finance to operate. As the movement towards ESG investing accelerates, banks will have to ensure that their investment portfolios align with sustainable practices. As the youth of today will be the future holders of capital, they should try to understand how green finance works, be aware that their investment decisions can have an impact on the advancement of sustainability practices, and actively make decisions that would support the transition to a greener future.

In addition, careers in sustainable finance are on the rise. Youths should consider these opportunities to work in green finance and build up the relevant and necessary skills and qualifications. This can include staying up to date with green finance and ESG-related topics, or selecting degrees in finance, economics, or sustainability-related majors which will serve them well in the greener economy of the future.

The Indonesia in Crisis: Economic Impact and President Joko Widodo's political legacy

[Image by Michael Gaida]

Indonesia's deadliest COVID-19 wave since the beginning of the pandemic

Indonesia has become the world's pandemic epicentre. In June this year, Indonesia's infections surged relentlessly to a near-vertical climb due to the Delta variant. COVID-19 restrictions were increasingly tightened to limit the spread of the virus. From 3 July 2021, the country went into a nationwide partial lockdown for more than a month. The government initially hoped to reduce daily cases to fewer than 10,000, but cases continued to climb. While daily cases have peaked at over 56 thousand cases in mid-July, the death toll has risen alarmingly high. In early August, the country recorded a grim milestone of over 100,000 deaths since the start of the pandemic.

Although the government believes that the current wave has peaked, the Delta-variant has already led to widespread devastation to Java and surrounding regions.

People are increasingly anxious about the economic losses from extended lockdowns. The GDP growth target for 2021 has been reduced to between 3.7 per cent and 4.5 per cent, reflecting diminished economic sentiments.

Wrestling with the Delta variant surge

Since the start of the pandemic, the Indonesian government has constantly agonised between prioritising public health or the economy. Currently, there is mounting pressure to ease the measures after weeks of heavy restrictions. But given the severity of the present wave, the best the government can do is to continue with the movement curbs while lifting some rules for small businesses to operate. Meanwhile, the authorities are aiming to rapidly reach herd immunity by inoculating 70 to 80 per cent of the 276.3 million-strong population.

Vaccine distribution in Indonesia has been slow. As of 4 August, statistics from Our World in Data show that only 8.03 per cent of the population is fully vaccinated, while 9.7 per cent have had one dose of a vaccine. Aside from supply challenges and logistical difficulty in reaching more rural provinces, vaccine roll-out has been hampered by concerns of whether the vaccine is halal (permissible in Islam), and distrust towards the Chinese vaccines' efficacy.

Indonesia has achieved some success in managing its competing COVID-19 priorities. They have so far avoided social upheaval despite increasing poverty and unemployment. Authorities decisively shifted funds from big-ticket infrastructure projects into social safety net programmes. Food packages, cash subsidies and unemployment benefits were sufficient to contain initial dissatisfaction, even raising public approval for President Joko Widodo's (popularly known as Jokowi) leadership last year.

However, a prolonged struggle with COVID-19 has eroded some support, testing the government's ability to continually appease public dissent.

Political stability has been credited for the government's decisiveness in providing social assistance. Jokowi presides over a coalition government that includes six political parties that collectively control more than 75 per cent of the parliament seats. Hence, the president has been able to introduce major policies with little resistance. He expedited the provision of social safety nets and the passing of controversial policies such as the Omnibus Law on Job Creation and a mining law. However, the prolonged struggle with the Delta-variant has contributed to higher public dissatisfaction. A nationwide poll done by Indonesian Survey Institute (LSI) has found that Jokowi's approval rating fell from 68.9 per cent in December 2020 to 59.6 per cent in June 2021. Even though public confidence has slightly wavered, there is still a sense that Jokowi is in a stable position. There are doubts regarding the next president's ability to command a political majority as firmly as he has.

Once the crisis subsides, political attention will shift to focus on the 2024 general election. As a second-term president, Jokowi will not be able to run again. However, he still has a voice in deciding Indonesia's next leader. The extent of this influence will depend on Jokowi's political legacy and his ability to maintain relevance. Otherwise, a situation may arise where the political parties focus on the elections while law and economic reforms take a lower priority. Developments towards the last stretch of the current presidency will determine Indonesia's continued political stability.

Economic recovery is going to be an uphill climb

[Image by Unsplash]

After a catastrophic year in 2020, expectations for economic recovery in 2021 had been optimistic. Manufacturing sentiments remained on the uptick, although the Delta wave has dampened the outlook. Thus far, the Ministry of Finance (MOF) and Bank Indonesia (BI) have been strongly praised for wise macroeconomic management. The MOF capped bond issuance size and prevented the deficit from ballooning, while BI maintained currency stability even as the situation worsened in recent months.

However, challenges persist. Every time Indonesia's mobility index slows, it translates into a fairly low GDP growth for the quarter. This explains the decision to relax movement restrictions for local small businesses, such as traditional markets and roadside vendors. Accommodating the country's large informal economy while juggling record-high infections is a mammoth task. Judging from the gradual lifting of restrictions and the recent arrival of Moderna vaccine donations from the United States, experts predict that there will be a return to subpar growth levels in the short term. Contrary to expectations, Indonesia's real GDP recorded a stunning growth of 7.07 per cent in the second quarter of 2021; the economy's first expansion in five quarters. However, growth is expected to slow again in the coming quarter after Indonesia imposed tighter restrictions in early July to halt a surge in COVID-19 cases.

Singapore's role as a close neighbour

Singapore and Indonesia enjoy strong bilateral ties reinforced by close economic cooperation. When a crisis hits, Singapore displays commitment to the relationship by offering resources and support. In mid-July, Indonesia faced a crisis of oxygen shortage. The Singapore Chamber of Commerce supported the shipment of six tanks of liquid oxygen, oxygen concentrators and oxygen canisters to Jakarta. The Temasek Foundation, Singapore and Indonesian firms banded together to donate more than 11,000 oxygen concentrators. Businesses from both countries collaborated to bring essential medical supplies to Indonesia at low costs. This sets an example of supporting our close neighbours. Singapore must be aware of ongoing developments in Indonesia and lend assistance whenever possible.

EU Goes Green: Acceptance, Inspiration, or Scepticism?

[Image by Guillaume Périgois]

The European Union (EU) has recently announced a set of policy proposals that aim to give the region a strong start in redirecting the domestic and global economy towards a zero-carbon world. The so-called "Fit for 55" plan aims to make the EU Green Deal a reality, by cutting greenhouse gases by 55 per cent from 1990 levels within nine years.

This is the region's most comprehensive set of climate policies yet. Although driven by the EU, its effects will reach far beyond Europe.

Impact on EU corporates and consumers

Within the EU, the new measures will affect a range of economic sectors including transportation, energy, forest and land use, as well as external trade.

Stricter standards will be imposed on the emissions of new cars, which some industry watchers say effectively amounts to a ban on petrol and diesel cars by 2035.

The maritime and aviation transport sectors will also see policy shifts. Clean fuels such as hydrogen will be promoted.

Moreover, the EU's emissions trading system (ETS), which caps the total carbon emissions of certain industries and allows market participants to trade emissions allowances with each other, will undergo a revamp. In particular, the maritime sector will be newly included in this 'cap and trade' system, while free emissions allowances will be phased out for the aviation sector.

Critics of the EU's proposals have already weighed in, alternately saying they are too ambitious, or not ambitious enough. A major point of contention is how the measures will affect ordinary citizens.

With the removal of historical tax incentives for fossil fuels, some are concerned that the cost of transitioning to cleaner energy alternatives may trickle down to consumers and small businesses. Workers in sectors facing new or tightened restrictions may see the plan as a threat to their livelihoods, driven by what they perceive to be out-of-touch elites.

The European Commission's press release acknowledges that the new policy proposals "risk putting extra pressure on vulnerable households, micro-enterprises and transport users in the short run". As such, the plan calls for a €72 billion Social Climate Fund , funded by the ETS, that will help citizens and smaller companies finance investments in energy efficiency, energy systems upgrades, and cleaner transport options. Workers will also need to be upskilled and reskilled for greener jobs.

With the European Parliament and all 27 member states required to approve the plan by 2024, ensuring a socially fair transition will be crucial if it is to achieve widespread acceptance.

What this means for ASEAN

The EU has said that the Green Deal aims not only to raise climate and energy standards domestically, but to also bring other countries along with them. But will these efforts be accepted by, and even inspire Asia and ASEAN to follow the EU's lead? Or will they breed caution or even suspicion?

Responding to the new announcements, some Asian automobile manufacturers have already expressed their concerns. The new land transport emissions standards – which will affect both internal combustion engines as well as hybrid vehicles – could throw a wrench in their plans for the European market.

External trade measures may also cause friction with Europe's trade partners. The "Fit for 55" plans call for a carbon levy on imports of carbon-intensive goods such as steel and cement, which will be expanded to other goods over time. The levy is meant to reflect the true cost of carbon emissions from their production.

Emissions embedded in imported goods and services account for 20 per cent of the EU's carbon emissions and are growing. The EU posits that this levy will reduce "carbon leakage", referring to the production of certain goods moving out of the EU and into jurisdictions with less stringent carbon standards which would ultimately lead to an increase in global emissions.

Despite the EU's best intentions, the consequential change in how the EU now demands for goods and services to be delivered is leaving many companies in developing economies, that require time to ramp up and execute their climate policies, feeling side-lined. At present, Singapore is the only economy in ASEAN with an official price on carbon, via a tax, although lower than EU standards.

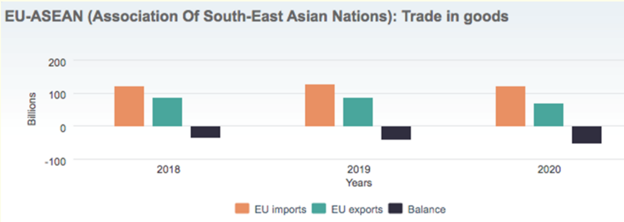
The EU's latest policies will be an additional open point on top of the ongoing palm oil debate. In 2019, the EU announced its intention to phase out the use of palm oil as biofuel by 2030, citing its links to tropical deforestation. Indonesia and Malaysia, the largest producers of the commodity, contended that this move would affect the livelihoods of millions of farmers and plantation workers, and have challenged it at the World Trade Organisation.

Placing ASEAN on stronger footing

How can Southeast Asia better prepare for the "Fit for 55" plan?

Around €200 billion of goods are traded between the EU and ASEAN each year. The European market accounts for more than 10 per cent of ASEAN's exports, while ASEAN is the EU's third-largest trading partner after China and the United States.

Figure: EU-ASEAN trade in goods in recent years



[Source: European Commission]

With the two regions so intertwined and decarbonisation being a global concern, ASEAN countries must strengthen their climate policies to avoid being penalised or left behind in a greener global economy.

The pandemic has given ASEAN policymakers an opportunity and impetus to find new areas of growth. These avenues of growth can be greener and more sustainable, which will require policy mindset shifts.

New green jobs must be created, and new technologies developed to make all existing jobs cleaner over time. National carbon pricing, which sets a price that emitters pay for each ton of carbon emissions, should also be considered. This would better reflect the true social cost of carbon emissions associated with traditional methods of production. Carbon pricing would shift the cost burden to those who are responsible, incentivising them to reduce their total emissions.

Effects will be felt by ASEAN enterprises who export to the EU, particularly those relating to carbon-intensive goods. Enterprises that are initiated or have more resources can understand these risks better through measuring their carbon footprint. They can also leverage the concepts of the Taskforce for Climate-related Financial Disclosures in assessing the potential financial impacts under different timeframes and scenarios.

Enterprises can consider setting an internal carbon price to encourage innovation and prioritisation of low carbon activities, in anticipation of wider and more stringent carbon regulation from the EU and globally.

Larger enterprises can also galvanise smaller to medium enterprises to reduce their carbon footprints through sustainable procurement requirements. This means imposing some sustainability standards on the companies from which they purchase goods and services. In the long run, this will make the ecosystem more resilient against transitional risks such as carbon taxes.

Beyond domestic action, the region can also find ways to work together. Areas that will benefit from cooperation include green financing standards, expertise-sharing on sustainable infrastructure or smart cities, and building a robust voluntary carbon market supporting cross-border trading. Collaboration within the region will place ASEAN on a stronger footing to manage new expectations that the EU, or any other country or region, may put in place.

The Climate action is in the long-term self-interest of all countries. As the ASEAN economy continues to grow, the region will face greater expectations from the global community to contribute its fair share to the decarbonisation effort. ASEAN can step up to the challenge.

Why should youths be concerned about the EU's "Fit for 55" plan?

[Source: Tyler Casey]

At first blush, EU policy proposals may not appear to be high on the priority list. However, the EU's Green Deal is a significant part of the growing efforts to reduce global carbon emissions in order to combat climate change. It is therefore important for youths to understand how exactly the "Fit for 55" plan will be executed as Singapore and other ASEAN countries, may follow in the EU's footsteps if the plan proves to be successful. For example, as more countries make domestic net-zero commitments, they may also have to put carbon border levies in place to continue participating in global trade.

Beyond this, the levy on carbon-intensive imports will have an impact on trade relations between the EU and Singapore when the levy is fully in place as of 2026. Given that the EU is Singapore's third-largest goods trading partner, this may create ripple effects on the economy in a period where today's youths will start to lead the workforce. By paying attention to how the "Fit for 55" plan unfolds, Gen Z workers will be better placed to deal with its economic implications in the future.

FTAs, CECA, and why you(th) must be Asia -Ready

[Image by Hu Chen]

Before the COVID-19 pandemic, inward-looking sentiments were already taking root around the world, with examples including the Trump administration's "America First" policy directions, Brexit, and far-right populist parties gaining support in many countries. The pandemic has served to worsen these frictions. These developments illustrate that people around the world are concerned about the effects of globalisation, with many people, including Singaporeans, arguing that countries need to do more to protect the interests of their own citizens.

A globalised economy implies labour mobility, and inflows of foreign talent into a country can change the employment landscape and affecting a nation's sense of identity. As Singapore is a small country, changes in our population are very visible to all of us, affecting our lived experience. Prior to the pandemic, Singaporean netizens and opposition politicians were already raising questions about whether Singapore's free trade agreements (FTAs) give foreign professionals too much of a free hand to live and work here.

In particular, the Singapore-India Comprehensive Economic Cooperation Agreement (CECA) has been in the spotlight, due to the increase in the number of Indian professionals in Singapore's workforce. These concerns came to the forefront during Singapore's 2020 General Election. Most recently, the Progress Singapore Party (PSP) also raised the issue in parliament on 6 July 2021, prompting the government to respond to questions about CECA and the ratio of Indian professionals in Singapore.

Why Singapore Signs FTAs: The Importance of the Global Economy to Singapore

Singapore is a small island city-state, too small to survive on its own. Singapore needs to tap into global markets to help all Singaporeans earn a living. This is why Singapore needs FTAs to secure access for Singaporean goods, services, and investment flows into other economies.

FTAs are legally binding international treaties between two or more economies. They can have many names – CECA, for instance, does not have the phrase "FTA" in its official name, and other terms like economic partnership agreement (EPA) are sometimes used. But in principle, all these agreements aim to reduce barriers to trade and investment.

In Singapore's case, most imports already enter Singapore without tariffs. But the opposite is not always true. Therefore, Singapore signs FTAs to help businesses who are exporting goods and services from our shores, and to support Singapore-based investors who are going overseas.

Aside from tariff reduction, FTAs also guarantee a level playing field, meaning that Singapore's companies and investors will be treated fairly when doing business in another country, rather than being subject to measures that favour domestic players over foreigners.

In theory, the World Trade Organization (WTO) exists as a global platform to facilitate international trade and investment flows. In practice, it has been apparent since the early 2000s that the WTO takes many years to reach new agreements and set new rules, since it requires consensus among so many countries. Therefore, there is still a place for FTAs between two or more countries to complement the WTO process.

FTAs have greatly helped Singapore's economy, enabling Singaporean firms to expand and attracting multinational corporations to set up regional offices or headquarters here. Singapore's network of 26 FTAs is a leading reason why companies want to have a Singaporean address, as this lets them do business across the world. This, in turn, has created jobs for Singaporeans. Fundamentally, Singapore's welfare and status depends on FTAs, and the country would be a less vibrant and less prosperous place without them.

CECA in the Spotlight: Misconceptions and Realities

Of course, the openness created by Singapore's economic policies is potentially concerning to Singaporeans, who are worried about competing with foreigners for jobs and wages. These tensions are even more stark during times of crisis, such as the current pandemic.

The Singapore-India Comprehensive Economic Cooperation Agreement (CECA) was signed in 2005, and since then the proportion of Indian citizens working in Singapore has risen.

Netizens and opposition politicians have argued that CECA makes it too easy for Indian professionals, managers, and executives (PMEs) to enter Singapore.

At the recent Parliamentary session, the PSP called for the Singapore government to share detailed statistics on the number of Indian PMEs in Singapore. Generally, most countries around the world do not release extremely detailed breakdowns of their workforce for reasons of national security, but the government did share some facts and figures on this occasion, in addition to the population and employment statistics that Singapore already publishes.

Total number of non-resident workers in Singapore as of 4Q 2020 (excluding foreign domestic workers)	**983,000**
Number of non-resident PMEs in Singapore (Employment Pass holders, the work pass category for a skilled worker)	**177,000**
Top countries of origin for PMEs in Singapore, accounting for 2/3rds of all PMEs (countries are in alphabetical order)	**China, India, Japan, Malaysia, Philippines, United Kingdom**
Ratio of PMEs from India	**25%** (or 44,250 – this is up from 14% before CECA was signed)
Number of Intra-Corporate Transfers (ICTs) among PMEs (ICTs are when a company transfers employees to Singapore, without needing to advertise the job to Singaporeans and PRs)	**4,200** (out of whom 500 are Indian)
Economic sectors which employ the most foreign PMEs (as a percentage of total EP holders in Singapore)	**Infocomm and Tech:** 20% **Professional Services:** 20% **Finance:** 14% **Manufacturing and Construction:** 10%

[Employment figures, Data from Ministry of Manpower, Singapore]

[Image by Pixabay]

To Speaking in parliament, Dr Tan See Leng, Minister for Manpower and Second Minister for Trade and Industry, and Mr Ong Ye Kung, who is Minister for Health but commented on the issue due to his background as a trade negotiator for Singapore, both stressed that CECA does not guarantee that Indian professionals will be able to enter Singapore freely and work here, as some netizens have suggested.

CECA does not override Singapore's normal immigration policies. All FTAs have exceptions or "carve-outs", where governments set limits to the openness implied by FTAs. Singapore, like many countries, insists on immigration policy being such an exception. Without this exception, CECA would indeed do what its critics claim. But the exception does exist.

As such, CECA specifies that Indian nationals aiming to work in Singapore must still meet the country's prevailing work pass criteria, such as any current standards for salary level and qualifications. They must apply for a pass normally, and CECA only mandates that applications from Indian be considered expeditiously and fairly by Singapore, without discrimination. It does not grant automatic approval.

CECA does allow for intra-corporate transfers (ICTs), where companies can transfer employees from overseas to their Singapore offices, thereby filling a role without needing to advertise the job to locals. But this is a typical practice under FTAs and the WTO, and such transfers only make up a very small percentage of foreign professionals in Singapore. There are only around 500 such Indian transferees in Singapore.

There is no special category of work pass granted to Indian citizens under CECA, which is a common misconception. The CECA text explicitly defines 127 categories of jobs that qualify as a professional or skilled worker, which is unusual for an FTA, and gives the impression that these workers may receive different treatment. But this was an approach India has adopted across the other FTAs it has signed. Ultimately, any workers coming to Singapore are still applying for one of Singapore's regular work passes, which are not so granular in their criteria. CECA also does not provide any special avenue for Indian nationals to take up permanent residency (PR) status or citizenship in Singapore.

Speaking in parliament, Dr Tan acknowledged that between 2005, when CECA came into force, and 2020, the number of foreign professionals in Singapore has risen, from around 65,000 in 2005 to 177,000 in 2020. But over the same period, the number of local PMEs has increased by over 380,000, the majority of whom are "born and bred" Singaporeans rather than PRs or new citizens.

It is often argued that if there were fewer foreign workers in Singapore, there would be more jobs for qualified Singaporeans. But citizen unemployment rate over the past 10 years has been consistently low, around 3 per cent. Currently, there are around 22,000 PME jobs that are unfilled in Singapore, and businesses are still desperate to hire workers – but Singapore still faces a shortage of qualified talent, particularly in emerging industries.

Dr Tan also noted that Indian nationals do in fact make up a larger proportion of Singapore's foreign workforce today, compared to the days before CECA. Indian PMEs make up 25 per cent of employment pass (EP) holders in Singapore. In absolute terms, this means there are around 44,250 Indian PMEs in Singapore. Indians only accounted for 14 per cent of EP holders in 2005. This is a noticeable increase, considering that Singapore is a country of only 5.69 million people.

However, the rise in the number of Indian professionals in Singapore is not due to CECA per-se, but rather because of increased demand for the skillsets that Indian workers possess. For example, the drive to digitalise all economic sectors has fuelled demand for tech workers. India and China are the two largest suppliers of tech talent. But because China's own tech sector is booming, many Chinese professionals are staying home and working for Chinese tech giants and start-ups. In comparison, India's tech talent has continued to look outward, and Indian professionals are willing to take up jobs around the world, from Silicon Valley to Singapore.

Enlarging the Pie: Ensuring Singapore's Competitiveness

The presence of global talent in Singapore's workforce does, of course, have implications. Although the total employment of Singaporeans has not been adversely affected, and the vast majority of working-age Singaporeans have jobs, some may feel that they are not able to work in their preferred role or sectors due to the recruitment of foreign talent. Some local workers may also feel that their wages or promotion prospects have been impacted by the presence of foreign colleagues.

There are also valid concerns about discriminatory practices among businesses, such as companies that hire too many employees from the same country of origin, or favour their global talent over local professionals in various ways. Such complaints are taken very seriously by the Singapore government, and action is taken against bad actors when they are discovered. But there will always be some friction.

In principle, Singapore allows companies to bring in global talent, in recognition of the fact that businesses need the freedom to hire the best possible workers for a given role.

International companies would not be keen to operate in Singapore if they were told that they were only allowed to hire Singaporeans and PRs, regardless of their qualifications. In some sectors, there is a worldwide shortage of expertise, such as in artificial intelligence and data analytics.

Singapore has a good workforce and a good education system, but it takes time for educational institutes and professional development programmes to skill up or retrain people to meet the needs of the market. The world is always changing, and it is impossible to perfectly anticipate what jobs and skills will be most in demand over the coming decades. To some degree, the presence of global talent in Singapore helps to skill up locals via knowledge transfer. One example is how tech giants like Google and Huawei, who have regional bases in Singapore, have helped our own tech ecosystem and Singaporean start-ups.

Like all countries, Singapore must prioritise the well-being of its own citizens. But Singapore's approach has not been to try and reserve a relatively larger slice of the pie for Singaporeans. By attracting business activity and global talent, Singapore hopes to increase the overall size of the pie, so that in absolute terms, everyone does indeed get more pie.

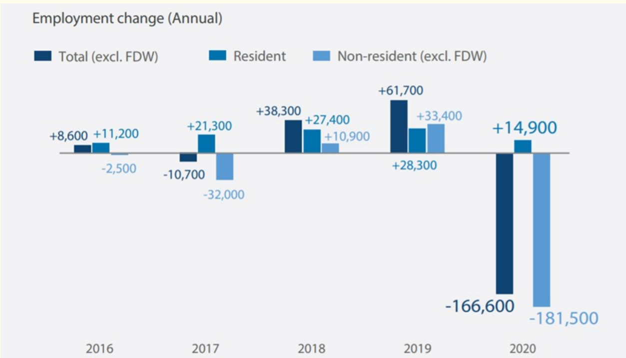
[Image by Marvin Meyer]

Tensions in Times of Crisis: Impact of the Pandemic on Employment

That being said, it is naturally difficult to talk about the virtues of openness amid times of crisis, when everyone in Singapore is feeling the sense of pressure and insecurity caused by the COVID-19 pandemic.

However, the reality is that Singapore's foreign workforce in fact cushions locals from job losses in times of crisis. Foreign workers always bear the brunt of job losses during economic downturns. Singapore's total population declined slightly at one point in 2020, amidst COVID-19. The brief decrease was due to foreigners leaving Singapore due to the pandemic, which outweighed other factors such as Singaporeans returning home.

While unemployment rates have risen amidst the pandemic, total employment for Singapore citizens and PRs actually increased in 2020, by around 14,900. Singaporeans and PRs did suffer job losses, but many were able to re-enter the workforce in some capacity. Most of the drop in overall employment in 2020 was due to job losses among foreigners.



[Change in Employment for 2020, Image by Ministry of Manpower, Singapore]

The pandemic has, of course, highlighted mismatches in the labour market and vulnerabilities that young Singaporeans should be aware of. Older workers aged above 50 proved to be the most vulnerable to retrenchment in 2020. But employment figures show that younger workers, aged below 30, were the next most vulnerable group.

Young people also faced significant job losses as less senior roles, particularly clerical, sales, and service jobs, were often the first to be cut during the downturn.

Female workers were also slightly more prone to retrenchment in 2020 compared to their male counterparts, which is a departure from previous economic crises, where the reverse was true. This is because the pandemic strongly affected sectors like entertainment and retail where women make up a larger proportion of the workforce.

Singaporeans are understandably concerned about their employment prospects amidst COVID-19, but the greatest challenges facing Singaporean workers and young people entering the workforce do not come from foreigners. Businesses are in fact worried that Singapore now faces a shortage of global talent, rather than a surplus. The greatest threat remains the COVID-19 pandemic itself and the disruption it has created, with potential long-term effects. For instance, with virtual working arrangements now becoming the norm and companies rethinking their geographic footprint, it is likely that many of the jobs lost in 2020 will not be returning to Singapore even when conditions improve.

Emerging Stronger Together: The Need for Asia-Ready Exposure

Unfortunately, legitimate concerns over demographics and employment trends in Singapore have gained racial overtones. While much of the discussion surrounding CECA has been civilised, there have been online posts with xenophobic and racist overtones. This is not surprising considering the emotive nature of the issue. Indian nationals are now in the spotlight, but similar conflict has arisen in the past around the presence of Chinese nationals in Singapore.

[Image by Pixaba]

Singapore's nature as a small island city-state, dependent on its connections to Asia and the world, mean that such exclusionary sentiments must be managed very carefully. In their statements in parliament on CECA earlier this month, Ministers expressed hope that Singaporeans can continue to be a big-hearted people, even as we grapple with the challenges and opportunities posed by globalisation.

Singapore relies on its linkages to the global economy, but the web of trade and investment relationships that spans the world can be quite fragile. Consider the tensions between the United States and China. Relations between the two major powers worsened during the Trump administration and cooled further when the pandemic began. Ties between the US and China are unlikely to warm significantly under the new Biden administration, as President Joe Biden and his cabinet have made it clear that the US will continue to treat China as a strategic competitor. In this context, and in the aftermath of the supply chain disruption caused by the pandemic, there are active efforts underway to influence businesses to relocate their operations within or nearer their home countries, and consequently to leave out particular economies, especially China. The freedom of global markets is increasingly being impacted.

Amid these global shifts, Singapore does stand to benefit, as some businesses and investors are now interested in moving to Singapore or expanding their presence here.

Alongside its network of FTAs, Singapore also maintains good relationships with both the US and China, and serves as a hub for both American and Chinese firms.

In a time of global uncertainty, Singapore must not only maintain, but work to strengthen our position. In 2018, the Singapore government set out a vision of Singapore as a Global-Asia node of technology, innovation, and enterprise, serving as a launch pad for multi-nationals and regional corporates to access Asia, and for Asian enterprises to go global. In this vision, Singapore is not merely seen as a gateway for global companies to enter our region, but as a two-way link and partner.

To capitalise on these opportunities, Singapore will need a strong social consensus on the benefits of being open and engaging the region. While many Singaporeans are big-hearted, this cannot be taken for granted. Over the course of the pandemic, voices that question the access of foreigners to live, work, and study in Singapore have grown. In hard times, there is an understandable instinct to prioritise those at home. Ensuring that we have a strong Singaporean core is certainly one way to strengthen our resilience.

However, reinforcing Singapore's connections to Asia and the Association of Southeast Asian Nations (ASEAN), our regional neighbours, is also an avenue to build our resilience.

The pandemic has demonstrated how closely our society is intertwined with the near abroad. Border closures between Singapore and Johor, as well as between Singapore and Batam, have thrown our supply chains into disarray. People have been caught on both sides of the border, and families have been separated. The situation in Malaysia and Indonesia, or at least in Johor State and Batam, Bintan and Karimun in Indonesia's Riau Islands, is indeed a part of Singapore's own national interests.

Even beyond our closest neighbours, the logic of win-win interdependence applies.

Much of the ongoing public discussion around CECA and FTAs has been about how foreign talent and companies bring benefits to Singapore. Less emphasis has been placed on how Singapore offers benefits to our neighbours. But a relationship cannot be one-sided.

Singapore has brought in global talent to meet emerging market needs. These include the rise of the digital economy and the adoption of technology across all sectors, a trend that has been hastened by the pandemic. Another shift is the growing emphasis on sustainable growth. Environmental considerations are now increasingly mainstream as Singapore and the world seeks to transition to a low-carbon future – building back better, not just stronger, from the pandemic. In the same way that digital talent is in demand, we now need professionals with experience in environmental science and green finance.

Singapore's tech and sustainability sectors are expanding, and Singapore will have a strong base of talent in these fields, not only from abroad, but also home-grown, as educational institutes and professional development programmes respond to the demand. But the next step will be to ensure that Singapore's efforts in digitalisation and sustainability do not only serve Singapore, but also Asia and the region.

Businesses in Singapore must, of course, always take into account regional expansion. The Singapore domestic market is small. Relatively few companies develop products or services solely for the Singapore market with no expansion in mind – the idea is typically to testbed and refine an idea in Singapore before it is rolled out more widely elsewhere, or to use Singapore as a base in entering ASEAN markets.

Singapore's workers, and youth that are preparing to enter the workforce, likewise need to be aware that Singapore's well-being is linked to our region and the world. To some degree, Singaporeans are already globally minded, with many Singaporeans being both well-travelled and well-informed.

But this attitude should also apply to how we think about employment issues. Being globally minded and Asia-Ready goes beyond knowing the best shopping and dining spots in Bangkok. It also means understanding why foreign professionals are willing to come to Singapore, and perhaps having the same spirit to go abroad – in the future, perhaps more Singaporeans will be willing to take up short-term and longer-term work stints in places like Jakarta, Manila, or further afield, when the global COVID-19 situation stabilises.

Even in a world where frequent travel and relocation is no longer possible, Singaporeans based at home in Singapore will need to work with colleagues and clients who are located overseas. Having a sense of empathy and understanding with regard to people of other nationalities will be critical for all Singaporeans.

No haze this year, but region can do more to trade in carbon credits and protect ecosystems

Accusations too often accompany the annual dry season that affects our region from June to September, especially when the problem of transboundary haze returns across our skies. The haze is caused by forest and land fires in our region, largely linked to human agricultural activity – fire is used to clear land for planting or replanting.

When the haze returns, accusations are traded not only within Indonesia, which usually suffers the worst of the fires and the heaviest pollution, but also between neighbouring ASEAN countries.

Businesses too can be implicated, and not only the producers of commodities such as pulp and paper or palm oil. Financial institutions, traders and buyers of resources also face scrutiny on their portfolios and supply chains, including possible investigations from regulators, non-governmental activists and the media.

The prospects for this year will therefore come as good news. The Haze Outlook 2021 Report concludes that the risk of a severe and prolonged transboundary haze incident is low; on a scale of red, amber and green, the signs are that the months ahead will be green. The full Haze Outlook 2021 Report is available for download .

The Singapore Institute of International Affairs (SIIA) has been producing the Haze Outlook on an annual basis since 2019. This is the first time that its Haze Outlook predicts such a benign outcome.

Back in 2019, the outlook was amber, and indeed there were prolonged periods of haze, with air quality in the region spiking into unhealthy levels.

[Risk of Severe Transboundary Haze Event in 2021, Image by SIIA]

What has changed for the positive?

Favourable weather assists in keeping fires and haze under control. Meteorological forecasts indicate that while the coming months will be drier than last year, the weather will be less severe than the drought conditions impacting California and other parts of the world.

But weather is not the only factor. What will make the biggest difference are the positive steps taken by the Indonesian government.

President Joko Widodo has emphasised that ending the haze should be a legacy of his administration for the Indonesian people, and a raft of reforms and new policies have followed to meet this challenge. This goes far beyond simply putting out fires when they start and extends to initiatives in underlying land use and development policies and longer-term planning. Indonesia plans to achieve net-zero greenhouse gas emissions as soon as 2045, and conservation and preventing fires will be a major part of that effort.

Policy changes have flowed into institutional commitment by key entities, including the Indonesian Ministry of Environment and Forestry and the Peat and Mangrove Restoration Agency (*Badan Restorasi Gambut dan Mangrove* or BRGM), specially created by the Jokowi administration and now renewed for a second term.

[Image by Nicholas Doherty]

Coordination between agencies and with local governments, and cooperation with resource sector companies, have also been stepped up. There are good reasons to give credit to Indonesia's efforts, especially taking into consideration the ongoing pandemic and the pressure on the nation's economy.

Singapore's Minister for Sustainability and the Environment Grace Fu did exactly that when speaking at the 8th Singapore Dialogue on Sustainable World Resources (SDSWR), the SIIA's sustainability flagship event, in May 2021. She forthrightly credited the relatively haze-free conditions to President Joko Widodo's "strong leadership and determination", and coordination by the Indonesian Ministry of Environment and Forestry under Minister Siti Nurbaya Bakar's guidance.

But a lower risk does not mean zero risk.

Our Haze Outlook assesses the risk of a severe transboundary haze crisis. There may still be some forest and land fires even a best-case scenario, though the haze situation is not expected to be prolonged or bad. Additionally, we conduct the Haze Outlook on an annual basis. The situation will need to be assessed again in future years. What happens next will bear monitoring.

What Now, What Next?

While commitment to combating the haze and strengthening sustainability continues, there is also an urgent need to create jobs and growth due to the downturn caused by the pandemic. Business and investment are the understandable priorities, and environmental protection faces a difficult balancing act.

Consider the Omnibus Law on Job Creation, passed late last year. From the economic perspective, this is to be applauded as an effort to cut through red tape and improve the ease of doing business.

But concerns emerge from an environmental perspective, with a number of Indonesian activists warning that weaker environmental protection could be one unintended consequence of mandating fewer checks.

Another concern emerges from government backing to establish farms across Indonesia to grow rice and other staples. While this aims to improve food security, non-government organisations (NGOs) and academics fear that these farms could result in natural ecosystems being converted into farmland, as was the case with the Mega Rice Project in the 1990s. If so, there can be negative consequences for conservation.

In addition to its impact on government policy, the COVID-19 pandemic has resulted in a surge in prices across agricultural commodity markets, including palm oil and other tropical commodities produced in Indonesia and our region. This is because the pandemic has caused supply disruptions around the world, for instance in vegetable oil production, but demand has remained relatively stable. But it is not yet clear whether this price spike will change the behaviour of growers.

At present, there has been no negative impact on the environment from the above factors, and therefore we do not believe there is any increase in the risk of haze for 2021.

But the situation demonstrates how Indonesia and our region as a whole are at a critical juncture, as the region seeks to emerge from the pandemic and also give urgent commitment to climate action.

Creating and Selling Carbon Credits

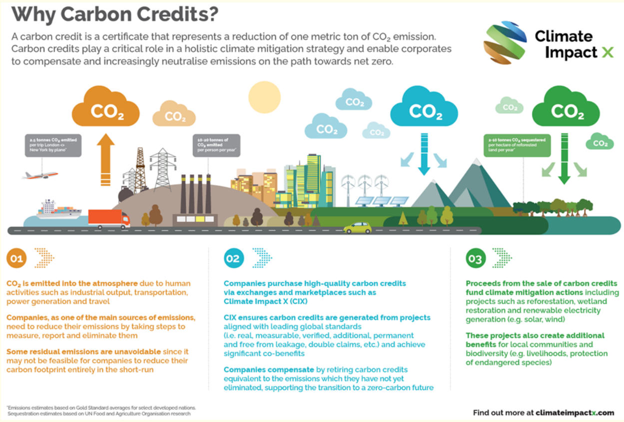
One key to better outcomes is to approach sustainability and conservation as potential opportunities for investment and business. Globally, market incentives are being created to promote the conservation of natural ecosystems, rather than encouraging their degradation.

Here again, there are positive signs emerging from Indonesia, with efforts to generate carbon credits from conservation in the country. Projects can be verified, certified, and sell carbon credits on the voluntary offset market to private-sector investors and corporations. Investments and revenue from the sale of credits can then fund further ecosystem conservation and restoration, to reinforce sustainability. By placing a monetary value on keeping ecosystems intact, such efforts can potentially stem the use of fire to clear land, changing the risk into an opportunity.

With a vast potential for carbon sequestration in its forests, peatland and mangroves, the country's Coordinating Minister for Maritime Affairs and Investment Luhut Pandjaitan has emphasised Indonesia's future as "carbon credit superpower". Indonesian regulators are in the process of creating a framework for emissions trading within the country.

Consideration must be given to regulating how the private sector can participate. For instance, at present, the resource companies that manage tracts of land for growing forest commodities are not allowed to generate and sell carbon credits from any conservation efforts they make, if that conservation is on land zoned for production purposes.

Separately, efforts have also been launched to create an international carbon exchange in the form of Climate Impact X (CIX) to begin operations in Singapore later this year.



[Why Carbon Credits?, Image by Climate Impact X]

Potentially, efforts to build a carbon exchange in Singapore can have synergy with Indonesia's push to promote carbon trading – covering not only Indonesia but the region as a whole – and broadening the base of potential investors and buyers of carbon credits.

Much, however, will depend on the precise rules set, especially by the Indonesian authorities, in creating their national market as well as deciding their global commitments for emissions reduction.

There is much that can and should be done to create and sell carbon credits across the region. Our assessment that the risk of a severe haze returning to the region for the coming year is reduced provides a good starting point: the horizon may well be clearer.

But the path ahead for cooperation and investment remains the greater challenge, and also the larger opportunity.

Carbon Credits, Net Zero, and You(th)

One common question regarding carbon offsets and carbon markets is how the general public, including young people, can engage with these schemes.

For example, is it possible for an individual to purchase carbon credits to offset their own personal emissions footprint?

There are already online platforms that allow for such personal purchases, but individual buyers must grapple with the same questions that corporate buyers are struggling with. Currently, it is difficult to tell whether the websites or services that are offering carbon credits are legitimate. Even if trading platforms are trustworthy and acting in good faith, it is not always clear whether the carbon credits themselves have value.

Last year, the Nature Conservancy, a producer of carbon credits with a client list that includes major corporations like Disney and JPMorgan Chase, came under fire for selling "worthless" credits. Critics said that credits were being generated from forests in the United States that were not in any danger of being destroyed for purposes such as agriculture and logging, and therefore the funds raised from the sale of credits were not actually protecting any ecosystems.

The platforms that CIX is developing in Singapore is supposed to address concerns like these, by making sure that the carbon credits up for sale are indeed high-quality. The platforms that CIX is launching this year cater to buyers like multinational corporations and institutional investors, not individual purchasers.

However, in the long run, it is possible we may see the growth of a carbon credit ecosystem in Singapore and ASEAN that individuals can interact with.

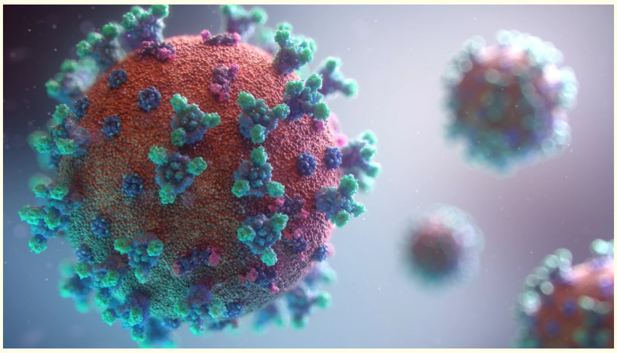
For now, the key takeaway for youth is that more and more organisations are adopting net zero emissions pledges, including buying carbon credits to fund ecosystem conservation as part of their commitments. Ideally the market, meaning consumers, should favour businesses and brands that are making such efforts.

In Singapore, the recurring haze crisis has already resulted in some amount of consumer awareness. The Singapore Green Label is now present on many products and services, and the Singapore Environment Council has created a version of the label specifically for products made from forestry commodities. There are also similar international initiatives to label eco-friendly products so they are identifiable to buyers. For example, when purchasing tissue paper, aside from the Singapore Green Label, you can also look out for the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) logos.

At present, Singapore and the world are still in a very early stage when it comes to net zero commitments and the use of carbon credits. These concepts have existed for some time, but they have not really taken off until now. We are at a turning point where companies and governments are starting to take climate action more seriously, in response to growing environmental consciousness around the world, especially among youth.

We cannot take clean air and the protection of natural landscapes for granted, and concerted effort is still needed to ensure that the haze – and the carbon emissions released by fires – remains under control. But there are promising signs that new ways of supporting ecosystem conservation are taking root.

The impact of COVID -19 resurgence in ASEAN



[Image by Fusion Medical Animation]

New variants and a spike in cases

Southeast Asia is currently experiencing a more serious wave of COVID-19 infections that started in April 2021, largely due to the spread of more infectious variants in the region.

After Malaysia reported a record high of 8,290 cases on 28 May 2021, Prime Minister Muhyiddin promptly announced that the country would enter a total nationwide lockdown from 1 June to 14 June. This is after Malaysia's initial success in controlling the second wave in early April 2021. As of 9 June, the total number of COVID-19 cases exceeds 600,000.

Thailand, which is struggling to contain a third wave of infections that spread from Bangkok, announced that it will extend a nationwide State of Emergency for another two months on 21 May. The latest outbreak has brought the national cumulative caseload to 185,228 as of 9 June, as compared to 29,000 cases in mid-April.

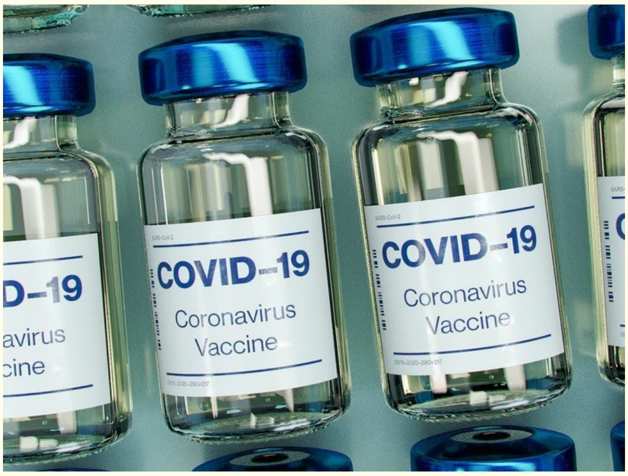
On 8 June, Vietnam's COVID-19 tally crossed 6,000 cases. The largest sources of infections continue to be found in industrial zones in Bac Giang and Bac Ninh. With the surge in cases, the Vietnamese Health Minister announced the discovery of a new variant of the COVID-19 virus, that combines characteristics of the Alpha variant (first found in the UK) and the Delta variant (first discovered in India) on 29 May. However, the WHO has said that the "new variant" discovered in Vietnam is the Delta variant with additional mutations and there is no cause for alarm.

A push to vaccinate

Most ASEAN countries have kicked off their vaccination programmes, though some are slower with rollout than others due to limited supply.

Thailand's vaccine rollout was previously slow due to limited supplies of Sinovac and AstraZeneca vaccines. Some Thai citizens even sought "vaccine tourism", where they travelled out of the country to get vaccinated. Travel agencies now offer vaccine tours to the US, with travel packages starting at US$2,300 per person. Russia is also an alternative destination for those interested in receiving the Sputnik V vaccine. However, Thailand's vaccination rate is slated to pick up with the rollout of its nationwide vaccine programme on 7 June. The government is now able to increase the number of daily doses administered from 100,000 doses a day to 500,000 doses a day.

In Vietnam, only about 1 per cent of Vietnam's population has received the first dose as of early June 2021 and the country is struggling to ramp up its vaccine rollout. One of Vietnam's vaccine suppliers, India, has stopped vaccine exports as it tries to contain the country's outbreak, causing a supply shortage. To finance its vaccination rollout plan, Vietnam created a fund of US$1.1 billion and plans to bring in 120 million doses.



[Image by Daniel Schludi]

To help supplement ASEAN member states' vaccine supply, ASEAN has announced that it will be spending $10.5 million from the ASEAN COVID-19 response fund to buy doses for member states. The organisation aims to distribute the doses in a fair and equitable manner.

Economic impacts

Before the recent surge in cases, ASEAN economies were generally recovering from the initial economic hit — the six biggest economies in the region saw an increase in GDP by the third quarter of 2020. However, the new wave of infections has significantly slowed ASEAN's economic recovery, with countries going back into lockdown and implementing restrictions. A report by the World Bank claims that only China and Vietnam are on track for rapid economic recovery in Asia. This indicates that most of the ASEAN states are still facing economic uncertainty.

While ASEAN members have signed the Regional Comprehensive Economic Partnership (RCEP) agreement, slow ratification could delay the region's recovery. RCEP is the world's largest free trade agreement, covering a market of 2.2 billion people and contributes to 30 per cent of the world's GDP. This makes it a crucial part of ASEAN's COVID-19 recovery. According to a report by UOB, RCEP could provide the next impetus for growth in ASEAN. But, with the new surge in cases, ASEAN member states might not be in a hurry to ratify the agreement as they are preoccupied with managing the latest outbreak in cases.

However, according to a report by Oxford Economics, Southeast Asia is still on track for a 4.8 per cent rebound growth in 2021, despite the third wave hitting the region hard. Analysts believe that the vaccination progress of the region will remain a critical indicator for growth in the second half of 2021. The report highlights that improved global trade activities, appropriate macro policies, sustained fiscal support from governments and low-interest rates would drive the rebound.

Political impacts

Mishandling of the virus and slow vaccine rollout programmes have caused citizens to be upset at their respective governments. For example, the Malaysian government's flip-flopping of social distancing measures and policy u-turns has caused the public to be tired and frustrated. Rapid policy changes are now seen as knee-jerk reactions, rather than carefully thought-out plans based on science. Increasing anger over the poor management of the virus has led to backlash on social media and even anti-government protests. An online petition calling for the resignation of Datuk Seri Azmin Ali, the prime minister's second-in-command, received 150,000 signatures in a day.

In Thailand, poverty and joblessness brought about by the pandemic have resulted in many joining anti-government rallies. Hundreds of thousands of Thai students and young professionals have also joined a Facebook group called "Migrate" to discuss ways to leave the country.

As of 7 June, there are 1.1 million members in the group. Notably, it garnered more than 800,000 members in less than a week of being set up. Frustrated and disillusioned by their government's pandemic response, the slow pace of vaccinations, and lack of opportunities in their country, participants seek advice from Thais already living abroad on emigration pathways, in hopes of seeking better job and wealth prospects. Preferred destinations are the US, Australia, Japan, Canada and Germany.

What's next for Singapore and the region?

In Southeast Asia, a resurgence in cases could not only be a drag on growth but could also cause long-term socioeconomic scarring. The recent outbreaks underscore the priorities for governments to manage the pandemic and speed up their vaccination programmes. For some ASEAN economies this will require partnerships and support from other countries to donate vaccines. Various stakeholders including the private sector will also need to come on board to help countries achieve herd immunity. For the ASEAN region, the well quoted phrase during this pandemic rings true, "No-one is safe until everyone is safe".

Towards a growing and greener regional economy

[Image by Karsten Wurth]

Even amid the Covid-19 pandemic, there is growing global recognition of another crisis that could be as big and probably worse — climate change. More governments are committing to address the problem, including China, the European Union and the United States under President Joe Biden. Global corporations and businesses too will face increasing expectations.

What is the outlook for our region?

Unless derailed by the pandemic, projections remain that ASEAN will emerge as one of the world's largest economies. As growth returns, the region will be expected to curb carbon emissions. Three ASEAN member states were invited to Mr Biden's recent climate summit: Singapore, Vietnam and Indonesia.

Singapore has released an unprecedented multi-ministry Green Plan to map its path towards net-zero.

Vietnam, coping relatively well with the pandemic, is on track for some 6 per cent economic growth and must undertake a key energy transition to lower emissions even as it increases manufacturing capacity.

Efforts by Indonesia, the region's largest country and economy, must focus on preventing deforestation, peatland degradation and forest fires. These account for more than half of the country's carbon emissions.

Rather than serving as nature-based carbon sinks, forests across the region have become a significant carbon emitter over the last two decades. Associated agribusiness and forestry companies are under increasing criticism as forests are cleared to make way for plantations. This is being felt not only by traders and major buyers of forest commodities, but also by banks and investors in these sectors.

Calls for action, accountability

There are signs to the positive. Indonesia has slowed deforestation rates for the fourth year running, positively defying a global trend. After suffering criticism, the larger and more international companies in these sectors have strengthened their sustainability commitments.

Yet questions remain about how commitments will be translated into real action, and how actions will be verified. If not, there is a real risk that stated ambitions will turn out to be little more than "greenwashing". This is not a simple matter for the agribusiness and food sector, whose supply chains tend to be long and complex with inputs from many small suppliers. In palm oil, for instance, by some estimates there are 2.67 million smallholders in Indonesia alone whose production feeds into that of larger players. So, even when companies announce commitments, it is not without reason that some remain sceptical about whether promises are always kept across the supply chain.

This adds to the pressure that banks and investors in this sector face, not just from regulators and shareholders but increasingly from major customers and non-governmental organisations. According to a recent CDP report, the greenhouse gas emissions associated with financial institutions' portfolios — their investing, lending and underwriting activities — are more than 700 times greater than their direct emissions.

Their responses at present are diverse.

Some financial institutions close their eyes. A 2021 Forest 500 report showed that of the 150 financial institutions assessed, 63 per cent did not have a deforestation policy for any of the key forest-risk commodities they financed, such as palm oil, soy, or beef.

Conversely, others exclude the sector entirely and blacklist palm oil and forestry companies, much as they do with controversial sectors such as weapons or tobacco. This may seem less risky. Yet exclusion has negative impacts too, by cutting off entire industries that are still vital to economic growth in the region and support millions of livelihoods, especially for smallholders.

An exclusion policy also ignores the ubiquitous uses of palm oil and pulp and paper in many products. Moreover, some companies in these sectors have increased their commitment and action on **environmental, social, and governance (ESG)** factors. Treating these companies as pariahs simply throws them into the arms of other financial institutions that have fewer scruples.

The choice for financial institutions need not be limited to either blind lending or wholesale exclusion. There are ways forward if there is increased information, transparency and accountability from the companies.

Improving data and disclosure

[Image by Lukas Blazek]

Much hinges on broader adoption of green finance. A groundswell can be felt. At the global level, the recent Net-Zero Banking Alliance commits 43 banks to align emissions from their lending and investment portfolios with 2050 net-zero pathways.

Regional innovations are also emerging. One example is the Rimba Collective developed by Singapore-based Lestari Capital, which allows buyers and processors of palm oil to fund forest conservation projects in proportion to the volume of palm oil they procure.

Broadening and improving green finance will depend on transparency and accountability in this sector. This in turn requires companies to commit to good quality data and disclosures, which many companies already provide in annual public reports. These disclosures should be aligned with international standards such as the Task Force for Climate-Related Financial Disclosures (TCFD), which seeks to improve and increase reporting of climate-related financial information.

The market must continue to encourage disclosure and reporting, including from companies whose disclosures show that they are not yet among the best-in-class. Rather than being shamed, these companies should be supported in taking steps up the sustainability ladder.

'Traffic light' approach

An industry task force convened by the Monetary Authority of Singapore recently recommended a "traffic light" approach to cater for the widely varying starting points seen among South-east Asian companies. Considering how activities align with sustainability objectives, they would be classified as green, red or else yellow, denoting efforts to make a transition for the better.

Transition financing policies would allow a lender to continue financing a company that is not currently deemed to be "green", but "yellow", creating incentives for it to progress.

For agribusiness and forestry sectors that are in the process of reform, transition finance can be more inclusive. It can be helpful for smaller companies that do not have the immediate resources to obtain internationally recognised green certifications, and are willing to adopt incremental solutions towards doing so.

Inclusivity and flexibility will bring risks of greenwashing[1]. These need to be addressed not only through disclosures, but also clear time-bound roadmaps for "transition" activities to progressively become "green".

In tandem with its national green plan, Singapore as an established financial hub can work with its neighbours to progress the region's positive climate impact, and future-proof growth prospects as global momentum shifts towards a greener and more equitable economy.

[1] Greenwashing, also called "green sheen", is a form of marketing spin in which green PR and green marketing are deceptively used to persuade the public that an organization's products, aims and policies are environmentally friendly.

[Image by Michael Longmire]

Why Finance Matters to You(th)

Sustainability efforts have not gone unnoticed among younger people. However, given the outsized contribution financial institutions make to global carbon emissions through their lending and investing activity, it is necessary that youths understand this piece of the climate puzzle.

In addition, Accenture estimates that some US$30 trillion worth of assets will be in the possession of millennials in the coming decades. Ernst and Young (EY) reported that 17 per cent of millennials indicated they seek to invest in companies that have adopted high quality ESG practices. As compared to past generations, millennial and Gen Z investors are more concerned that their money makes a societal impact.

Many of today's youth will be tomorrow's holders of capital and wealth. They will have the power to decide what banks and investors finance, and accelerate the shift towards value-based investing. By understanding the impact of finance on sustainability, they would be able to leverage their accumulated financial power and demand positive change. Even more financial institutions would then be prompted to adopt sustainable investment policies, and serve a new era of investors.

The Importance of Free Trade Agreements (FTAs) for Singapore and the Region

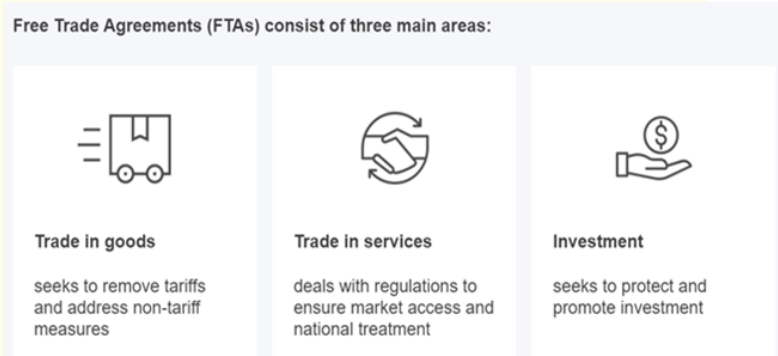
It is currently a difficult time for globalisation and economic integration. The institutions and rules for international trade are under attack at different levels, from domestic protectionist sentiments to great powers breaking rules and using trade to punish others. The squabbling has even spread to the World Trade Organisation (WTO). While the WTO is still an important institution, recent events have demonstrated that major economies can effectively paralyse key bodies of the WTO to serve their interests.
Singapore has an open economy which is driven by trade in goods and services. Trade is Singapore's life blood. The overall value of trade in goods and services flowing through Singapore is roughly three times the size of Singapore's gross domestic product (GDP).

It is therefore crucial for Singapore to keep international trade and investment flowing, especially as Singapore and the world work to recover from the economic impact of the COVID-19 pandemic. In this regard, Free Trade Agreements (FTAs) have been an important part of Singapore's economic strategy since the 1990s.

Going forward, FTAs will continue to be important for Singapore, particularly between Singapore and its regional neighbours in Southeast Asia and the Asia Pacific.

What are FTAs?

Free Trade Agreements (FTAs) are treaties which make trade and investment between economies easier. FTAs allow companies in Singapore to benefit from reduced or zero tariffs when exporting or investing in another country, with preferential access into certain sectors and markets. FTAs also make it more attractive for international firms to invest in Singapore and set up regional operations here, creating jobs for Singaporeans and benefiting the Singapore economy.



[Main areas of FTAs, Image by Ministry of Trade and Industry, Singapore]

There are a number of terms used to refer to Singapore's economic agreements. Many are called FTAs, but some officially have different names. For instance, Singapore has a Comprehensive Economic Cooperation Agreement (CECA) with India, and an Economic Partnership Agreement (EPA) with Japan. Different terminology may be used depending on the partner countries' preferences, but these are all essentially FTAs.

Singapore is also in the process of signing Digital Economy Agreements (DEAs) with its trade partners. DEAs are basically FTAs that focus specifically on digital trade rules and digital economy collaborations. Two DEAs have been concluded, one with Chile and New Zealand, and the other with Australia. A third is being negotiated with South Korea.

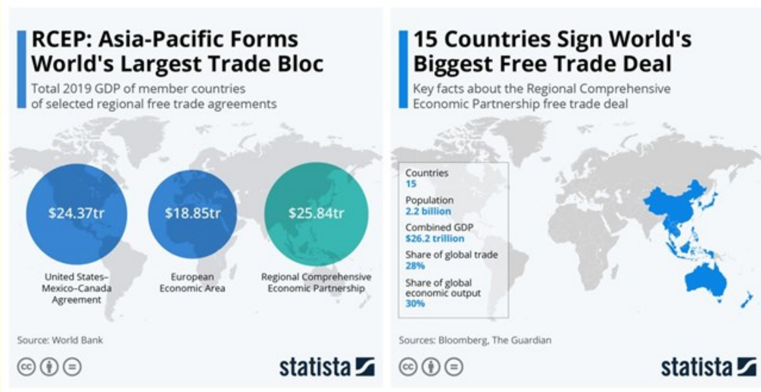
Why does Singapore need FTAs?

Due to Singapore's dependence on global trade, it is important that international trade flows remain open. Unfortunately, such openness cannot be taken for granted. The trade war between the United States (US) and China illustrates how major economic powers can use trade as a weapon against their rivals, with other countries being pressured to take sides.

In theory, international trade is broadly governed by the WTO, which has a set of rules covering trade between member economies and a legally-binding dispute settlement mechanism to resolve trade disputes between parties.

However, in practice, the WTO has some 164 member states, and must set trade rules by consensus. This means it can take many years for the WTO to make new rules or amend existing ones. Cases brought to the WTO's dispute settlement system may also take a long time to resolve, and it is possible for major economies to effectively paralyse the system. For example, during the Trump administration, the US blocked the appointment of new members to the WTO's Appellate Body, an important part of the dispute settlement system.

Due to the difficulty in setting new rules at the global level, bilateral and regional trade agreements are necessary to complement the WTO. The agreements signed between Singapore and its trade partners adhere to the WTO's principles, but often address matters that are not yet covered by the WTO.



[The Regional Comprehensive Economic Partnership (RCEP), Images by Statista]

Bilateral FTAs involve two countries, but multilateral and regional FTAs may involve many more. The biggest recent example is the Regional Comprehensive Economic Partnership (RCEP), which Singapore signed with 14 other countries in November 2020. The RCEP brings together the ten members of the Association of Southeast Asian Nations (ASEAN) with Australia, China, Japan, New Zealand, and South Korea, making it the world's largest FTA in terms of economic scale. In lieu of progress at the WTO level, regional FTAs are a critical instrument to keeping international trade liberalisation alive.

That said, large regional FTAs like the RCEP are not a perfect solution to all the issues facing global and regional trade. The RCEP's its commitments are not as deep and far reaching as other trade agreements that are intended to establish new norms or "cutting edge" precedents for emerging sectors. This is due to the RCEP serving a very diverse array of members, from large to small nations, and from advanced countries to those still emerging into the global economy.

However, the RCEP provides a good baseline for ASEAN and the wider Asia Pacific region. The RCEP supports the rules of international trade and investment and can play an important role in building up resilience in the regional economy.

Are FTAs just about trade, or are they political instruments?

FTAs are primarily about securing market access and strengthening connections that make good economic sense. But they can become politicised, at least in the public eye. During the 2016 US presidential election, the proposed Trans-Pacific Partnership (TPP) regional trade agreement became a highly contentious issue. The winner of the election, Mr. Donald Trump, argued that the TPP was a bad deal for American companies and workers. One of his first acts as US President was to withdraw from the TPP. Eventually the multilateral FTA was concluded in a revised form as the CPTPP, involving 11 countries including Singapore, but without the US.

The controversy in the US over the TPP demonstrates that FTAs may not always be well-received by businesses and ordinary citizens, especially if they feel that their country is being cheated in the process. However, the reality is that every trade deal involves negotiation and compromise. There must be some give-and-take.

Singapore has made some concessions to its trade partners as part of its FTAs. For example, in order to sign the US-Singapore FTA (USFTA), some of Singapore's intellectual property laws have been aligned to American ones, mainly in extending the length of copyright protections. But because Singapore is already an open economy that does not have protectionist policies, and generally follows the best international practices in its laws and regulations, such concessions tend to be minor, and a worthwhile exchange for Singapore.

[Image by Ian Taylor]

Perhaps the most sensitive aspect of FTAs for Singaporeans is labour market access. Like in all countries, Singaporeans are understandably sensitive about competition for jobs, and does not want to see Singaporean workers displaced by foreign talent. Many FTAs do cover labour mobility, for instance streamlining the process for foreign professionals to work in Singapore. But foreign professionals are not guaranteed jobs in Singapore, and must still meet Singapore's criteria for employment passes. FTAs are simply intended to make the process easier. Labour mobility provisions also go both ways; by definition, Singaporean professionals, including young workers entering the labour market, also enjoy corresponding benefits when seeking to work overseas or taking up intra-company transfers to overseas offices.

Another controversy is the growing perception that signing FTAs amounts to aligning with major economic powers, with countries falling into trade blocs or spheres of influence. This allegation is particularly pronounced with regards to large agreements like the CPTPP or RCEP.

[3rd RCEP Summit, image by Customs Trade Asia]

Many overseas media reports have claimed the RCEP is led, or even dominated, by China, a view that plays conveniently into the prevalent narrative of conflict between the US and China.

In reality, not everything is about China. Prior to the conclusion of the RCEP in November 2020, talks on the deal lasted for over eight years, long before the current escalation in US-China tensions. It was ASEAN that moved to craft a framework for the process, initiating and chairing negotiations, rather than China dictating terms.

For economies like Japan, South Korea, Australia, and New Zealand, much of the attraction in the RCEP is to better connect their own production chains to ASEAN rather than to China.

Of course, the RCEP does have the benefit of linking the North-east Asian trio of China, Japan and South Korea. A trilateral FTA between these economies has been intermittently discussed since 2007, but has thus far not been finalised. Until such a deal is agreed on, RCEP will serve to connect the three – which is no easy achievement, given their historical and ongoing tensions and rivalries. But Japan and South Korea's support for the RCEP demonstrates that the deal is not China-led. It is unlikely that either country would agree to anything designed to be dominated by China.

Does the RCEP mean Singapore is aligning with China?

The US is not a part of the RCEP, but its exclusion is not a deliberate snub. The US could never have been a founding member of the RCEP, as the US does not have an existing FTA with ASEAN as a grouping. The RCEP essentially brings together most of ASEAN's prior FTAs with its trade partners, unifying them in a single mega-FTA. The Obama administration's strategy was to link the US to the Asia Pacific via the TPP. When President Trump withdrew from the TPP, this left the US with no alternative to cement its trade relations with the region.

Notably, India was originally a part of the RCEP negotiations, as there is an ASEAN-India FTA. But India chose not to sign onto the final agreement, due to concerns about opening up its sensitive sectors, such as agriculture and dairy. The fact that RCEP would connect India to China was a major factor in this decision, with many in India worrying that Indian markets would see a flood of Chinese imports. Despite this, India has been welcomed to continue as an observer in RCEP, with the explicit option to join as a full member at a later date.

What's next for Singapore and the region?

There is still a chance that India may join the RCEP in the future, and the US under the Biden administration will likely consider new ways to engage ASEAN and Asian economies.
But those outside the RCEP cannot simply gainsay efforts by ASEAN and its partners to move forward with regional economic integration; they cannot expect others not to move ahead, if it makes sense. The future of the region cannot stand still for anyone.

The worldwide shift away from globalisation and mounting trade tensions between the US and China will force countries to rethink their economic strategies. Amidst a difficult global environment, FTAs and other economic treaties will be crucial in emphasising multilateral cooperation, while also having appropriately inclusive recognition of the diversities between economies and recognising each country's national interests. That is a future that may well be worth having.

Palm oil: Sustainability is not just about the environment

[Image by Pablo Garcia Saldana]

In the past year, the United States has banned the imports of palm oil and rubber-based products from three Malaysian companies following allegations of labour abuse. Such bans have brought social issues to the fore, forcing agribusinesses to assess their obligations to their workforces. Increased attention on social issues is a positive development; traditionally, the scrutiny of environmental, social and governance (ESG) factors in the agribusiness and forestry sectors has mainly focused on environmental factors.

But are such regulatory bans the best way to address the social issues prevalent in the industry? What else can be done to ensure that social sustainability is integrated into governance systems?

A brief examination of the ban

Two of the world's largest palm oil producers, Malaysian planters FGV Holdings and Sime Darby Plantation (SDP), were slapped with import bans in September and December 2020, respectively, by the United States Customs and Border Protection (USCBP). This followed accusations of forced labour in production of palm oil. Allegations against FGV included physical and sexual violence, debt bondage, the retention of identity documents and child labour.

The rubber industry has not gone unscathed either. Malaysia-based subsidiaries of the world's largest medical glove maker, Top Glove, and TG Medical had imports of its products blocked by US customs authorities in July 2020 following allegations of labour abuse. Whistle-blower reports about workers' living and working conditions have made headlines, grabbing the attention of rights groups and ultimately, US customs.

SDP said in February that their internal assessment did not turn up evidence of systemic forced labour issues in its Malaysian operations. However, a complaint to the Malaysian Securities Commission alleging that SDP had made wrongful disclosures in its 2019 sustainability report pitted the company in legal action against its accuser Duncan Jepson, managing director of NGO, Liberty Shared. SDP commenced legal proceedings against the NGO on 11 March in a bid to obtain information about the complaint filed by Jepson, that it said would allow it to close any alleged gaps in its operations. This lawsuit was later withdrawn by SDP as the Malaysian Securities Commission clarified that it was not investigating the complaint.

Although Malaysia has been prominent in US import disputes, the palm oil companies implicated are thought to be supplying from their Indonesian plantations and refineries. Import bans may cause irreversible reputational risk to the Malaysian and Indonesian industry, even after the issues have been resolved. Some in the industry worry that buyers will fear the risk of guilt-by-association and withdraw their business on a group-wide basis, with a regional or global impact. Major palm oil buyers, including US food company, General Mills and chocolate maker, Hershey, are reportedly shying away from making their purchases from FGV and SDP, citing concerns over reputational damage. Questions also arise for popular sustainability standards like the Roundtable on Sustainable Palm Oil (RSPO).

Import bans add a new mechanism for country disputes, beyond the World Trade Organisation (WTO), where Malaysia and Indonesia have been direct parties in three and over two dozen cases, respectively. Attention on labour rules is also on the rise in Australia, Canada and the United Kingdom. Will regulatory challenges accelerate how social issues are currently addressed in the industry? What else can be done?

[Image by Aaron Burden]

Treat the causes, not the symptoms

The palm oil industry charges that such bans are unfair, asking for time to fix the problem, rather than suffer import cuts that could hurt their industries and workers. Almost 85 per cent of the global palm oil supply is produced in Indonesia and Malaysia. The palm oil industry not only accounts significantly towards the gross domestic product of these countries, but supports millions of plantation workers and smallholders.
Import bans are also limited in efficacy. Despite the ban on rubber product imports, some experts do not see major trade disruptions given the surge in demand for latex gloves amid the COVID-19 pandemic. The palm oil sector is also still performing well despite boycotts and the economic downturn caused by the COVID-19 pandemic. In 2020, FGV had its best performance in five years, with its revenue increasing six per cent from the previous year. In the long term, domestic consumption of palm oil in Indonesia and Malaysia is also expected to increase.

When slapped with import bans, companies may move quickly to investigate the allegations in their supply chain. But they need to be more proactive in addressing the social issues that have long been associated with the industry. Bans risk triggering reactionary measures that fail to root out the causes of weak social governance and sustainability measures.

Hiccups in measuring social sustainability

To treat the causes of social sustainability issues, we must be able to understand and assess them.

Compared to environmental factors, social sustainability is more difficult to monitor and verify as it requires physical assessments on the ground. Monitoring also relies on employees having the avenues to freely report issues without fear of retaliation.
In the first half of 2020, assessing social responsibility was further complicated by Covid-19. Movement restrictions imposed in Malaysia and Indonesia to curb the spread of the disease disrupted the assessment of environment, social and governance (ESG) compliance on the ground. Some companies adopted technology to continue monitoring work but admitted that they were not a proper substitute for field audits.

Several companies also argue that there is a lack of metrics in measuring social sustainability, and indicators can be hard to quantify. As a result, there has been a strong emphasis on the more easily measured environmental factors, sometimes at the expense of social ones, in assessing ESG. Unclear metrics also lead to conflicting assessments.

Lessons for the ASEAN youth

Sustainability is beyond the “environment” – it is about the “people” too.
As consumers, it is important that we support products from companies that emphasise social sustainability in their business strategy. The social impact of businesses should not be ignored, even if the businesses are known to be environmentally sustainable.
If you are a budding entrepreneur, consider integrating social sustainability into your business model and corporate responsibility strategy, because it will impact your relationship with stakeholders. Staying on top of sustainability issues will serve long-term business interests.

Whatever our roles may be, we can also utilise our knowledge and passion for good by seeking to understand what social sustainability is. We can then create awareness of those issues with enthusiasm, whether in our personal or public spheres.

How do we get better?

In the Singapore Institute of International Affairs' report, "ESG in Practice: A Closer Look at Sustainability in ASEAN's Palm Oil and Pulpwood Sectors", 28 organisations were engaged to better understand the challenges of implementing ESG standards on the ground forming ideas on how to mediate them.

First, better transparency and traceability in ESG data reporting is needed. For instance, the industry would stand to benefit from common information-sharing platforms, which could be coordinated by industry certification bodies such as the RSPO or Forest Stewardship Council (FSC). Such platforms, where the industry can also share best practices, could boost both industry standards and disclosures, which in turn could help policymakers craft robust regulations.

To account for social sustainability in ESG evaluation, the industry and financial sector also need to better define ways to measure and value social factors. For example, methodologies such as the Social Return on Investment (SROI) have been put forward to ensure that ESG evaluations do not focus narrowly on environmental factors at the cost of social ones.

As external pressures mount on the industry, major companies are trying to remain committed to social sustainability. For instance, many have already adopted various International Labour Organisation conventions throughout their operations. Some companies have also tried to improve their diversity credentials by hiring more women for permanent positions and by setting up occupational health and safety committees to improve workplace conditions.

Companies must continue to be proactive in the prevention of social issues, instead of only responding when there are external pressures from regulatory bodies or stakeholders. This will help ensure that companies adopt a holistic approach to ESG – engaging with both environmental and social requirements .

Political Crisis in Myanmar: What is happening and why?

[Image by Zinko Hein]

The military takeover in Myanmar on February 1 caught both domestic and foreign audiences by surprise. Following a landslide victory by Aung San Suu Kyi and her National League for Democracy (NLD) in the 2020 national elections, a new session of parliament had been set to open the very day the military seized power. In an early morning raid, top leaders of the NLD were detained, including State Counsellor Aung San Suu Kyi and President Win Myint. The military declared a state of emergency for one year and has set up a new administration known as the State Administration Council (SAC) to run the country.

In recent days, the situation has grown increasingly tense, with the military taking aggressive action to assert control. The pro-democracy movement shows no signs of backing down, willing to lay everything on the line, even their lives. As of 23 March, the death toll in Myanmar has exceeded 260.

Understanding the Tatmadaw[1]

There are deep-seated reasons behind the military's actions. On the surface, the military has cited allegations of widespread fraud in the 2020 elections, in which the NLD swept 83 per cent of available seats. These claims are disputed by the election commission and international monitors. While this may have been the trigger, the underlying reason stems from simmering distrust between the NLD and the military.

The military have always seen themselves as the guardian of unity in Myanmar. They gave the country its "Roadmap to Democracy" back in 2003 and are the architect of its 2008 constitution. Embedded in the constitution is a bargain that creates a de facto, partial power -sharing agreement between the elected government and the military. The military gets an unelected quota of 25 per cent of parliamentary seats and controls the important defence, interior and borders ministries. This gives them an indelible stake in the political processes of the country. With the NLD's big win in the 2020 elections, fears emerged that they may be relegated as an irrelevant and spent force. This is especially since Aung San Suu Kyi and her party have repeatedly called for a rewrite of the constitution. This is something the military cannot accept.

[1] Tatmadaw is the official name of the armed forces of Myanmar

[Image from Getty Images/BBC]

Domestic Backlash

It is widely agreed that the military had not expected the level of domestic opposition they are currently facing. The intervention was intended to be a quick surgical strike, where the military would remove the top level of government and effectively run the country. Yet in the days immediately following the takeover, a Civil Disobedience Movement was launched, where healthcare workers and teachers refused to work. Nation-wide pro-democracy protests soon followed. On 12 February 2021, hundreds of thousands of people poured onto the streets to express their opposition to the military takeover. Protesters have dealt a devastating blow to the military's plan by denying them control of the economy and country. A month and a half later, workers are still not going back to work and the Civil Disobedience Movement has spread to various key sectors of the economy, including banks, ports and factories.

International Response

The military takeover and its violent crackdown against street protesters have invited widespread international condemnation and calls for restraint.

While the stances of ASEAN member states are divided, countries who were initially more apathetic have started speaking out, as violence against civilians increases. Indonesia, Malaysia and Singapore have been most vocal in condemning the actions of the military. While there can be no outright meddling by ASEAN in accordance with its principle of non-interference, the region as a whole has urged for dialogue. ASEAN's role to engage and facilitate mediation between the domestic actors is crucial, especially given the interconnectedness and interdependencies of the region.

Countries in the West have imposed targeted sanctions against some of the military commanders and military-held companies. However, the efficacy of sanctions is widely debated. Past sanctions imposed by the United States and the European Union choked off trade and investment and severely compromised the growth of the country. The generals do not fear sanctions as they have withstood it in the past. In addition, much of the country's trade flows across broad and porous land borders with China and Thailand.

More importantly, dialogue needs to be fostered between the generals and the pro-democracy movement. A level of trust and the willingness on each side to seek compromise will be essential for a solution to this crisis. As Singapore's Foreign Minister Dr. Vivian Balakrishnan notes, "The keys (to a solution) ultimately lie within Myanmar."
[

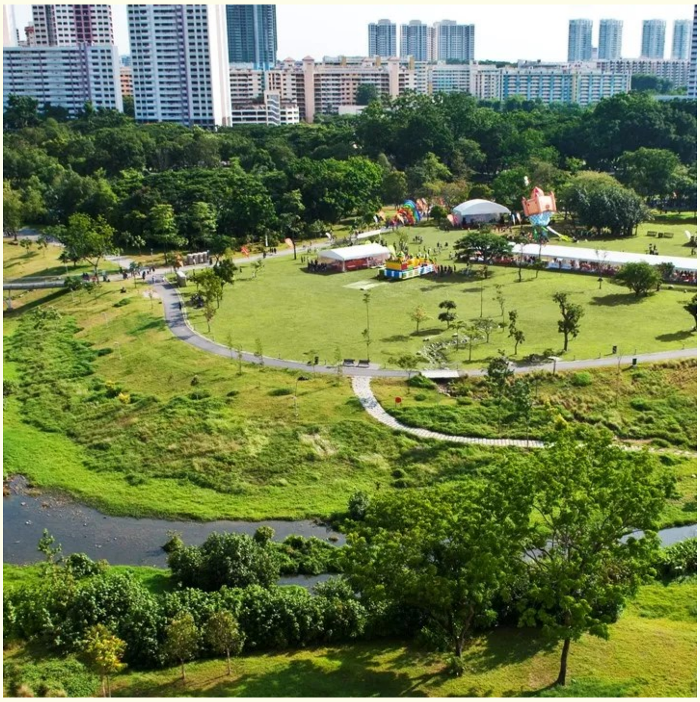
Budgeting to grow the new green economy

Singapore's national Budget for 2021 was unveiled by Deputy Prime Minister Heng Swee Keat on 16 February 2021. Over the subsequent weeks of Committee of Supply debates in Parliament, more details were unveiled for how the government plans to lead Singapore's economy out of the COVID-19 crisis.

After the unprecedented S$100 billion support last year against the immediate impacts of the pandemic, focus has shifted to how to best prepare for the future. Support has been specifically targeted at some sectors, with a strong focus on measures that will build a more sustainable post-pandemic society.

Notably, announcements around the Singapore Green Plan 2030 were led not only by the Ministry of Sustainability and the Environment but also by the ministries of education, national development, trade and industry, and transport. This signalled an unprecedented whole-of-government commitment towards sustainability, and one which will impact the lives of all Singaporeans – from business professionals to students and educators – over several decades.

What key initiatives have been announced, and what else can be done?



[Image by NParks]

Singapore's Green DNA

Singapore has a strong green DNA that began from the very first years under founding Prime Minister Lee Kuan Yew. In the decades since, the recognition of climate change has grown, capped at the 2019 National Day Rally when Prime Minister Lee Hsien Loong classified this as an "existential" crisis. This strong political commitment has since cascaded into government agencies, rules and policies, many of which pre-date the pandemic.

The renaming of the Ministry of Sustainability and the Environment in 2020 was much more than semantics. Singapore is taking steps to decarbonise our domestic economy. The government is leading the way as a major owner of buildings, holder of investments, procurer of goods and services, and developer of major infrastructure that can serve as green reference projects. For example, it was announced in the Budget that the government would issue green bonds for sustainability projects, and has identified up to S$19 billion in public-sector green projects for this purpose.

Government incentives have also supported the development of sustainable finance products and fintech, which have been taken up by companies in a wide range of sectors. The Monetary Authority of Singapore launched the Green Finance Action plan in 2019, which included guidelines on environmental risk management for financial institutions, incentive schemes to encourage green finance innovation, and establishing training opportunities. Given Singapore's position as an international finance centre, this can facilitate the flow of investments towards sustainable development which will ripple outward to the ASEAN region.

The private sector must also continue to invest and innovate. The government should reinforce this with incentives for research and development, and by extending employment support. Akin to the current Jobs Support Scheme, new "green-collar" jobs can be created and filled by upskilling and reskilling employees. Minister for Trade and Industry Chan Chun Sing has also said that the green economy is not just about creating new green jobs, but for "every job to be a cleaner job over time… and we want our companies and workers to be able to embrace the new technologies to produce products that are cleaner and greener".

[Image by Singapore Green Plan 2030]

Building on regional and market momentum

Singapore depends on a global collective effort to address climate change, as Senior Minister Teo Chee Hean said recently in Parliament. He added that officials have been working on international carbon market rules, more stringent reporting of national emissions, and multilateral discussions on reducing international transportation emissions.

Ultimately, Singapore contributes just 0.11 per cent of global emissions. Partnerships with its neighbours can enable Singapore to make a much larger contribution to mitigate climate change than it can on its own. Much will depend on the priorities of our neighbours, but there are positive signals from the ASEAN governments as well as 'their'? Or 'the'? markets.

Within our region, the increase in natural disasters has been a tangible warning that immediate, decisive climate action is needed. The predictions are dire: by one estimate from McKinsey, nearly US$5 trillion of gross domestic product in Asia will be at risk every year from climate change by 2050, with the poorest countries hardest hit.

Acknowledging these risks, regional governments and their citizens have called for a "green recovery" from the pandemic with an emphasis on sustainable, inclusive growth – within each society and between nations.

This reflects a broader market trend in favour of sustainability. Leading companies, as well as many smaller ones, now understand that staying on top of Environmental, Social and Governance (ESG) issues will serve long-term business interests. Data show that ESG funds steadily outperformed the broader market during 2020. This is despite early fears that preoccupations with the pandemic would side -line sustainability concerns.

[Image by Singapore Green Plan 2030]

A green generator of growth

The leverage and responsibility of major companies and of Singapore as a hub for business, trade and finance are increasingly recognised, creating an expectation for Singapore to be a positive influence on the region. Singapore is currently a top investor in Indonesia, Malaysia, Vietnam and Myanmar. Many global companies utilise Singapore as a node and hub for the wider region. This can and should be leveraged to further the region's green recovery.

Singapore can increase efforts to develop and test-bed sustainable innovations – from green energy to waste management to carbon capture – that can later be diffused throughout the region. ASEAN countries would benefit from greater intra-regional trade supporting decarbonisation – Malaysia is the third-largest maker of solar cell modules globally, while Thailand is completing construction of Southeast Asia's first lithium-ion electric vehicle battery factory.

Carbon trading is another potential connection to regional green growth. Singapore's Emerging Stronger Taskforce has proposed developing Singapore as a hub to support the voluntary carbon offset market. The global offset market is projected to grow tenfold in the next decade, as net-zero ambitions must be met with emissions reductions as well as credits to offset unavoidable emissions. For Singapore, capturing this opportunity would mean anchoring organisations across the carbon value chain, from offset generation, verification and benchmarking, to price discovery and market creation.

Several ASEAN countries including Indonesia and Vietnam are also looking to develop their own national carbon pricing and trading systems. Singapore's reputation for good governance can add value to deepening these efforts, including developing ways to link or align the different emerging schemes. A regional effort would also put ASEAN on better global footing to deal with major economic partners, with the European Union already considering carbon border adjustment measures.

Collectively jumpstarting regional growth

With the Biden administration returning the United States to the Paris Agreement, more than 60 per cent of the world economy is now under self-imposed carbon limits and commitments. Singapore can play a key role in securing a just and inclusive transition away from a high-carbon economy, both at home and partnering with its ASEAN neighbours. This will serve to mutually support ASEAN member states' efforts to meet their Paris Agreement targets, and to strengthen the region's collective voice in global climate negotiations.

Achieving climate goals while rebuilding after the pandemic's economic fallout will not be easy. But the momentum of major economies and markets is growing, and also greening. Opportunities in technological innovation and finance are also growing in tandem. As a small and low-lying nation, Singapore is especially vulnerable to climate change and cannot afford to be complacent. The transition to a low-carbon future will require significant investments in research and innovation, alongside radical changes in the way we live and work.

[Image by Singapore Green Plan 2030]

By budgeting to green our economy and encourage partnerships across the region, we can seize opportunities and trigger positive change and cooperation. For youths in particular, the idea that Singapore cannot achieve ambitious climate goals on its own underscores the importance of being ASEAN-ready. Being well-versed in emerging sustainability concepts and technologies will also prepare youths for "green-collar" employment – whether in clean energy sectors such as solar, or in traditional sectors such as petrochemicals where R&D can enable the adoption of cleaner technology. An understanding of key issues affecting the region, including sustainability, will open up opportunities for today's youth in the green economy of the future.