

**KEYNOTE SPEECH BY DEPUTY PRIME MINISTER, COORDINATING  
MINISTER FOR ECONOMIC POLICIES AND MINISTER FOR FINANCE  
HENG SWEE KEAT AT THE AMCHAMS OF ASIA PACIFIC BUSINESS  
SUMMIT 2021, TUESDAY, 9 MARCH 2021, 8.45AM**

Good morning,

1. Thank you for inviting me to speak at this year's AmChams of Asia Pacific Business Summit.
  - a. Today's gathering brings together 28 AmChams, spanning the entire region and across almost ten time zones.
  - b. It also reflects the reach of American business engagement and presence in the Asia Pacific.
2. 2020 has been a most challenging year for everyone, around the world.
  - a. Thankfully, three months into 2021, several economies are showing signs of recovery.
  - b. We hope that with vaccination underway, the world will gradually turn the corner on the pandemic.
  - c. But we have some way to go.
    - i. Many developing countries will have to wait for some time – perhaps years – to get sufficient vaccines for their populations.
    - ii. And until most people around the world are vaccinated, virus mutations could spark another global outbreak.
3. Hence, the global economic recovery is likely to be long-drawn and uneven, across economies and sectors.
  - a. But I share the IMF's view that over the next 2 years, Asia Pacific is expected to rebound faster than the rest of the world.
  - b. In the longer-term, this region's economic outlook is promising. The underlying fundamentals remain strong.

- i. First, the Asia Pacific region has not fully reaped its demographic dividends. In Southeast Asia in particular, more than half the population today is under the age of 35.
  - ii. Second, a rapidly expanding middle class will boost consumption and drive demand for many industries. By 2030, two-thirds of the global middle class will be located in the Asia Pacific.
  - iii. Third, with 400 million internet users in Southeast Asia alone, our digital economy is poised for rapid growth. This will further spur innovation, raise productivity, and create new growth areas.
4. But I should also caution that despite strong fundamentals, this region's continued growth and prosperity is not preordained.
  - a. While there are many opportunities, there are also uncertainties and risks.
  - b. For example, the recent developments in Myanmar have created uncertainties for the region, and we hope that all stakeholders can engage in genuine and direct dialogue to resolve the situation peacefully.
  - c. Let me now highlight three major challenges which the region faces, and how American corporates can play a constructive role in navigating them.

### **Uncertainty over COVID-19 Trajectory**

5. The biggest challenge that this region, and in fact the world, face is the uncertainty about the shape of the COVID-19 trajectory.
  - a. Many parts of Asia Pacific have contained the virus relatively well – so far.
    - i. This has allowed some green shoots of recovery.
    - ii. But the recovery will be limited, as long as borders remain shut and safe distancing measures remain.
    - iii. To be able to lift these restrictions substantially, herd immunity will first have to be achieved.
  - b. One positive sign is that the vaccine rollout is progressing well in some parts of the world.
    - i. Globally, the number of people given at least one dose of the vaccine is more than twice the number of people who had been infected.

- ii. Vaccines may not be a panacea – given vaccine hesitancy, uncertainty over how long immunity lasts, and their efficacy against new variants.
    - iii. But a vaccinated population puts a country on a much stronger footing for economic recovery.
  - c. For Asia Pacific to continue to stay ahead of COVID-19, the region will have to redouble its vaccination efforts.
- 6. The pandemic cannot be fully controlled anywhere, until it is stopped everywhere.
  - a. Securing vaccines for all countries is therefore critical to ending this pandemic.
    - i. In this regard, the COVAX Facility has built remarkable momentum, with 190 economies participating.
    - ii. In addition to governments, it also brings together companies, civil society and philanthropic organisations, to ensure that vaccines are distributed fairly and equitably.
    - iii. We are heartened that the Biden Administration has recently pledged US\$4 billion to COVAX.
    - iv. This will help fund the supply of vaccines for low- and middle-income economies.
  - b. Corporates too can play a part.
    - i. You can make valuable contributions to COVAX.
    - ii. You can facilitate the transportation and distribution of vaccines.
    - iii. You can alleviate the fallout from the pandemic on under-served communities.
  - c. Your contributions can go beyond this crisis, by working together with governments and other stakeholders,
    - i. To strengthen resilience for the world, and for Asia Pacific, and formulating our collective response to the next pandemic, be it Disease X or something else.

### **Navigating US-China Strategic Competition**

- 7. The second key challenge for the region is the heightening strategic competition between the US and China.
  - a. US-China competition is here to stay for the foreseeable future.

- b. There have been some disagreements between the two powers. Both sides have since hardened their positions.
  - c. For both China and the US, domestic considerations are paramount. Neither wants to appear weak.
    - i. In July this year, the Chinese Communist Party will celebrate its 100<sup>th</sup> anniversary. Next year is its crucial 20<sup>th</sup> Party Congress, which will elect its top leaders for the next five years.
    - ii. In the US, President Biden needs to work with Congress, in which the Democrats have only thin majorities, to move his domestic agenda forward. This will be even more complicated if he antagonises some quarters by appearing soft on China.
  - d. It remains to be seen how US-China relations will play out.
    - i. Chinese leaders, such as foreign minister Wang Yi, have signalled Beijing's willingness to reset relations with Washington.
    - ii. But he has set removal of restrictions on trade and technology transfers as conditions for a reset.
    - iii. For now at least, this appears to be a non-starter. President Biden has reaffirmed the Trump administration's restrictions on technology transfers, even while he reviews the US approach towards China.
  - e. We hope that the Biden administration will bring greater predictability and nuance to the world's most important bilateral relationship.
    - i. It will be good if both sides can cooperate on issues of common interest, such as the fight to contain the pandemic, global economic recovery, and climate change.
    - ii. I hope that over time, a framework for a constructive relationship will be developed, even as they continue to compete.
8. Despite the calls for the Administration to pay attention to trans-Atlantic relations and the Middle East, it is just as important that the US engages the rest of Asia beyond China.
- a. Over the past decades, the US' presence has brought stability and prosperity.
    - i. This has not only benefitted the region, but also many US companies.
    - ii. Today, the US has around US\$800 billion of investment in the rest of Asia Pacific, of which about 40% is in Southeast Asia.
  - b. This region is also home to some of the world's most dynamic economies, and where the US has many reliable supply chains and production bases.

- c. Strong US presence in the region is a vital stabiliser.
  - i. In this way, the US can also continue to reap the rewards of the region's long-term growth trajectory
- 9. While the global order is largely determined by the actions of governments,
  - a. The corporate world can be a bridge between countries, societies and cultures.
  - b. American businesses have served as an effective bridge in the past,
    - i. Including as strong supporters and advocates for the US-Singapore Free Trade Agreement – which I was deeply involved in.
  - c. Your role is now even more critical.
    - i. De-globalisation will be to no one's benefit.
    - ii. US corporates have an important role to keep globalisation going,
      - 1. By strengthening constructive efforts to reform the system,
      - 2. And supporting efforts to develop a robust rules-based system, with dispute resolution mechanisms that all can abide by.
  - d. I hope that American corporations will continue to be a champion for globalisation,
    - i. And be our partner for stronger US economic engagement of the region.

### **Growing Debt Burden**

- 10. The third major challenge is the impact of rising global debt levels.
  - a. Sovereign debt is reaching new highs in many countries.
    - i. In developing Asia, the IMF expects government debt to rise to around 70% of GDP by end-2021, up from 57% in 2019.
    - ii. An expansionary fiscal posture was necessary to cushion households and workers from the most severe effects of the crisis.
    - iii. Very low interest rates have also helped governments to service debt, for now.
  - b. But the debt will have to be repaid at some point
    - i. Interest rates cannot remain low indefinitely.

- ii. If we are not careful, the debt burden and resulting inflation could crimp the ability of economies to make sustained investments in emerging opportunities.
- iii. Without these investments, the region may fail to realise its long-term growth potential.
- c. Corporates can play a key part in realising Asia's growth story.
- d. Just as many of you benefitted from your earlier patience to be in Asia for the long haul, when growth was more nascent,
  - i. I encourage you to take a long view of the growth prospects of this region, and continue to invest in emerging opportunities.
- e. Corporates are the foundation of America's strength and resilience.
  - i. Your signal of confidence will have a strong multiplier effect, not just commercially, but geopolitically.

## **Growth Areas**

- 11. The depth and range of US businesses in Asia Pacific has grown over the years.
  - a. I know many of you are also looking for new possibilities for investments.
  - b. Let me briefly highlight 3 growth areas which I think will resonate with policy makers in the region as being important for their development, and which also present opportunities for investment.
- 12. First, infrastructure demands.
  - a. Pre-COVID, infrastructure needs alone were estimated at US\$1.7 trillion per year for the coming decade. It is probably an underestimate now.
  - b. Multilateral institutions – such as the ADB, AIIB and World Bank – are channelling resources to meet these needs in Asia.
  - c. Some of these institutions are also tapping Singapore's deep financial eco-system, to mobilise private capital to complement these efforts.
  - d. Singapore set up Infrastructure Asia to match supply and demand – in an ecosystem that connects governments with developers, professional service providers as well as financiers.

- e. Infrastructure investment can boost economic growth. In particular, clean energy, transport and smart infrastructure not only aid a more robust post-COVID recovery, but also create a more sustainable future.

13. Another area is the digital economy

- a. The growth potential of the digital economy in Asia and the world is significant
  - i. For example, Southeast Asia is home to a number of tech unicorns and decacorns.
  - ii. The size of the digital economy in Southeast Asia is projected to triple from US\$100 billion last year, to over US\$300 billion in 2025
- b. US companies are well-placed to tap on Asia's digital dividend
  - i. You continue to be at the forefront of innovation,
    - 1. With deep technology expertise, business models, and the scale to reach billions digitally.
  - ii. You are also helping to shape the consensus around emerging policy areas such as the ethical use of Artificial Intelligence.
    - 1. These issues increasingly resonate with consumers in the region and the world.
- c. US companies have been a part of Singapore's journey from the beginning
  - i. In the next bound of digitally driven growth, we want to further partner you, as we invest in technology-intensive and innovation-driven growth.
  - ii. With our strong links to the region, Singapore can continue to be an effective and stable base for companies looking to expand into the region.

14. Sustainability is the third growth area.

- a. With the US re-joining the Paris Agreement and growing momentum for net-zero ambition around the world, global climate action is accelerating.
- b. Southeast Asia has tremendous potential to contribute to this green transition, and Singapore aims to be a green node for the region.
- c. Microsoft signed its first clean energy deal in Asia with a Singapore company, as it aims to be carbon negative by 2030.
  - i. There is scope for more of such deals in the future.
- d. Another area of opportunity is nature-based solutions for carbon removal. Southeast Asia offers many opportunities in this area.

- i. As a low-lying island state, Singapore takes the threat of climate change seriously.
    - ii. We are working with partners in the region to provide a range of carbon services.
    - iii. This can support companies in their sustainability journey.
  - e. We welcome the US, with its history of innovation, to partner with Singapore and partners in the region, to catalyse a green recovery.
15. I highlighted three areas of growth. But the region offers many other possibilities.
- a. As we enter the second year of the pandemic, we must strive to emerge stronger from this crisis.
    - i. Emerging stronger is the central theme of my Budget Statement last month,
    - ii. And there will be many opportunities as the region emerges from this crisis.
  - b. We look forward to your continued investment in the region,
    - i. And to stronger partnerships to realise these growth opportunities.
  - c. Singapore can be your base to explore the region.
    - i. As a Global-Asia node, we provide opportunities for US and global companies to explore Asia,
    - ii. And for companies based in Asia to explore the world.
  - d. We are also remaking Singapore as a node for technology, innovation, enterprise and sustainability,
    - i. Where we can further contribute to the region's growth.
  - e. I welcome you to visit Singapore to explore new possibilities when the situation permits.

## **Conclusion**

16. AmChams of Asia Pacific was founded in the 1968, at a time when Asia was in turmoil
- a. The shadow of communism loomed large, and
  - b. The US was in a protracted war in Vietnam.
17. Throughout the years, the US remained invested in the region, and provided the stability for peace, progress and prosperity.

- a. The US has since forged productive relations with both Vietnam and China,
  - b. With American corporates helping by strengthening business linkages.
18. The world is once again in turmoil, with COVID-19 sweeping across borders.
- a. I encourage American firms to continue to invest and grow your presence in the region.
  - b. You can make a difference to the recovery and growth of the region,
    - i. And to improve the lives of our people.
19. Let me conclude by congratulating AmCham Singapore for hosting this edition of the Summit, and bringing together a very distinguished group of participants.
- a. I wish you a very fruitful Summit. Thank you.