

PERSPECTIVE

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Trump and Brexit: Some Lessons for Southeast Asia

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EXECUTIVE SUMMARY

- Donald Trump's victory and Brexit illustrate that a considerable share of the population in the U.S. and Britain feel left behind, side-lined and neglected by recent globalising trends.
- Despite their revolt, the establishment and the existing political systems have a chance to stage a comeback, especially if President Trump fails to live up to expectations of those who voted for him.
- A surge in migration over the last 15 years in the US and Britain has also put the question of identity on the agenda. Although most countries can assimilate migrants over the longer term, a huge inflow of migrants in a short time span tends to generate serious negative opposition.
- Rising unemployment in small towns in these countries has reinforced the identity problem, and initiated emigration to cities, undermining what were once stable societies and dilapidating their towns.
- Southeast Asian countries have lessons to learn from this development and should be aware of the risks involved as urbanisation in the region continues unabated.

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DONALD TRUMP'S VICTORY AND BREXIT

It is by now a cliché that the British vote to leave the European Union, followed by Donald Trump's election as President of the United States of America is turning global politics and economics upside down. Before analysing what this turn of events might mean for Southeast Asia it may be worthwhile to gauge how deep anti-establishment sentiments in general actually run.

To be clear, the 'British people' did not take Britain out of the EU. 72 percent of the UK electorate voted in the referendum and of those, 51.9 percent opted for "Leave". This means that only 38 percent of the entire voter population actually supported Britain's departure from the EU.

And Donald Trump did not win the popular vote in the US. Hillary Clinton did, with various estimates giving her close to 3 million more votes than Trump. Had the system been that the American President is elected by popular vote, Hillary Clinton would have won with about 48.33 percent against 46.23 percent for Donald Trump. Furthermore, the voter turnout was only 55.4 percent, significantly below the 62.3 percent recorded in 2008 and the 57.5 percent in 2012 elections.

Fundamentally the dissent stems from anti-globalization and anti-establishment sentiments. The core feeling has been to get rid of 'something and somebody' without clear ideas about what the replacement should be. "Leave" won in the Brexit referendum, but voters did not express any preference for what kind of relationship between Britain and the EU would replace the EU membership.

On the surface, it appears that many voters in the U.S. and Britain long for a society that in their imagination existed half a century ago, when there was full employment, people cared for each other, and local communities functioned well and were made up of people with a common culture. Needless to say, conditions were not marvellous half a century ago, which a quick glance at newspapers from those days will confirm. Another major factor behind these new sentiments is that large inflows of refugees and migrants have led citizens, especially in smaller towns and communities, feeling like strangers in their own country. This problem is a hard nut to crack as it brings in the awkward - and always politicizable - issue of identity.

Current trends may be auguring a new paradigm, like the transition the world went through 250 years ago after the industrial revolution. However, we are not yet at the point when we have to discard the establishment and the existing political systems. The political parties in Europe and the US can survive provided they heed the signs and understand that their people want something other than what they had been offered in recent decades.

Southeast Asia has over the preceding 50 years been a success story. Part of the story is that ideas and models that worked in the U.S. and Europe were successfully adapted to this part of the world. That poses the problem of what governments in the region are to do when these models run into difficulties, especially when Donald Trump argues for a more isolationist US. The potential geopolitical consequences that this holds for Southeast Asia are largely negative.

THE END OF CONSENSUS AND COALITION BUILDING

The Post-World War II societal model developed by the West was anchored in consensus and coalition building, and it produced impressive economic growth and reasonable social stability for over half a century. Measures were introduced to ensure that some wealth filtered through to benefit the large majority of people who felt that while inequality existed, the system did provide enough benefits and opportunities for them and their children. The rest of the world watched and found many aspects of the model attractive.

About 15 years ago, this model began to lose its allure. Growth faltered. A global financial crisis erupted. Crucially, rising inequality and diminishing social mobility conveyed the picture of unfairness as more wealth flowed into the pockets of a small segment of the population.

The model has grown extractive. It still delivers higher wealth, but without striving for a more equitable society. A developmental path that may give lower growth but more equality became preferable to one that brings higher growth but less equality.

The established political elite promised in election after election to address these socio-economic problems. A new start or similar catchwords were marketed with vigour. The unemployed and the poor saw a chance to voice their frustration by voting for the opposition. But nothing changed – new power-holders implemented policies that were similar to their predecessors.

While those who are better placed to succeed within globalization regard technology and globalization as the platform for progress and development, those who are not see these two trends in another light. Feeling bypassed and abandoned to fend as best they can in an environment difficult to understand, even hostile; and having listened to complicated and sophisticated answers, the latter finally fall back on simple answers – build a wall, punish companies that outsource, and slap a heavy customs duty on imports from China. In their periscope, they see that since other policies have failed, why not give these simple policies a go – they cannot be worse!

Globalization may have as expected been producing higher growth, its fruits are not distributed in an equitable way. This is where economic dynamics and political goals no longer connect.

For the rest of the world, and for Southeast Asia which has so successfully plugged into economic globalization and export-led growth, the lesson to be learned from this is obvious: Unless an economic model is inclusive and spreads wealth to a large majority of the population it will run into problems sooner or later.

Hitherto Southeast Asia has benefitted from sufficiently high growth to meet this requirement. If, as is likely, global growth now declines, conditions for economic policies in Southeast Asia will change. So far, this part of the world has manoeuvred in a consensus context. (Singapore has been a good example.). This has underpinned stability in the region. Maintaining this asset will require greater political attention in the years to come.

IDENTITY

From 2000 to 2015, the share of foreign-born in the population rose in Britain from around 8 percent to around 13 percent and in the US from around 12 percent to around 15 percent. The US is a nation built over several centuries by migrants and has excelled in integrating people from various races and religions. And Britain has for several decades harboured a sizeable number of migrants.

Until some years ago the situation looked manageable. Continental European countries have had similar experiences. The question then is why is it that so many Americans and British now feel like strangers in their own country.

The first observation is the speed and magnitude of migration over a relatively short period. A sudden and strong influx is practically synonymous with abrupt social change.

Another crucial factor that is often not fully acknowledged is that according to media reports a considerable share of migrants over the last 15 years went to towns and smaller communities. Migrants in the big cities are less visible, and many American and British cities are multicultural or whatever other word may be used to describe them. They have managed migration for a long time. In small towns, migrants cannot and do not 'disappear in the crowd'. They compete more directly with local people for jobs, housing, health services, education, etc.

Southeast Asian societies are often a mix of ethnicities, religions and cultures. The governments are aware of the risks involved and apply appropriate policies to keep potential conflicts under control. And when the ethnic mix and the religious adherence evolves, the changes are likely to be much less than the high figures seen in the US and Britain.

There is also truth in the common claim that Southeast Asian countries, being aware of the powder keg that multicultural societies potentially are, try to maintain existing balances, while the U.S. and Britain have not.

The lesson to draw seems to be the need for a close monitoring of changes in the composition of ethnicities and religions combined with analyses of precisely where these changes take place and their impact on smaller communities that are not used to migrants.

THE DISLOCATION OF MANUFACTURING

The cocktail of information and communication technology (ICT) and economic globalization did not only promote outsourcing and off-shoring of manufacturing jobs from industrial countries, but forced a restructuring of economic sectors and manufacturing inside industrial countries. Taken together, these trends morphed into a mechanism that undermined small-scale plants in local communities, thus removing jobs and security.

The majority of these people were fairly low educated individuals in labour-intensive, low-cost manufacturing (textile mills are an example) or in industries linked to agriculture such as slaughter houses, or dairies or mining. The local communities had been self-sustaining economic entities offering those who lived there a reasonable life.

Some jobs went to big-scale plants in the same country, others to Emerging Markets and Developing Economies. Subsequently, public services were closed down in view of falling population and smaller purchasing power. What used to be a coherent society started to disintegrate, leaving the inhabitants with no way of reversing the process.

This dislocation of jobs and manufacturing occurred in the same towns that had seen a recent influx of refugees (in Europe and the US) and migrants. In the case of the US, many of these are illegals.

Those citizens who left the towns to seek a better life in big cities experienced difficulty as they lacked the needed skills and many stayed in the lower social strata, which increased pressure on the city authorities. There was no longer a local community that they could rely on. Their hometowns, at the same time, face aggravated problems linked to aging and diminishing skills.

The disruption of the economic foundation of small communities looks like a recipe for social and political upheavals. In Asia, it is relevant to look at China and certain parts of Southeast Asia.

China has gone through an enormous political, economic and social transition, unprecedented in speed and magnitude, and so far it has managed to provide jobs for which migrants from rural districts had the skills. However, there is no guarantee that this orderly urbanisation will continue.

Conditions in Southeast Asia are no doubt quite different from those in China. Still, the Southeast Asian countries should be aware of the risk that ICT and globalization pose to small-scale companies and communities. Creating jobs in smaller towns is not an easy

undertaking, but that may be preferable to the alternative of social and political disruptions as seen in Europe and the US.

CONCLUSION

Southeast Asia needs growth to maintain social stability. Donald Trump’s victory and Brexit usher in changes that are still unknown except that they differ from the established paradigm. The region can no longer rely on economic globalization and the US as guardian of the system to the same extent as before.

It is up to Southeast Asia – together with other Asian countries – to shape conditions for a new growth pattern anchored in a more self-sustaining Asian supply chain. A stronger and deeper regional integration should be on the agenda even if there are many problems and pitfalls linked to such an endeavour.

The main challenge is about how one is to square the circle of full participation in globalization, indispensable for Southeast Asian countries, with a robust policy to eschew disruptive repercussions resulting from inequitable distribution of wealth, benefits and opportunities.

The lesson seems to be that economic globalization, if not accompanied by domestic policies to prevent speedy changes and uncertainty, can disrupt vital economic structures, tear the social fabric and remove broad support for this model.

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