

Embracing Incoming Tides: Takeaways from the Singapore Economic Policy Forum 2024

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The Economic Society of Singapore (ESS) and SMU-School of Economics jointly hosted the 16th Singapore Economic Policy Forum 2024, with the theme of “Opportunities Amidst Challenges” at the Voco Orchard hotel. It served as a platform to explore solutions to mitigate and tackle the impacts of climate change, Artificial Intelligence (AI), and socio-political polarization on businesses, households and governments in the global context.

The Guest of Honor, Minister of Education Mr. Chan Chung Sing, was invited to present on the topic of AI and its impact on education. Thereafter, the role of AI and geopolitics in influencing the global economy were further delved into by speakers Mr James Cheo, Mr Teo Chin Ker, Dr Ding QinXu, Dr Kim Seonghoon, Dr Irene Ng Yue Hoong, Dr Chang Jun Yan, Mr Ang Yuit and Mr Ziad Haider.

The role and impact of AI in education and work

During the Fireside Chat, Minister Chan Chun Sing highlighted the transformative possibilities of Artificial Intelligence (AI) in the education landscape. He suggested that AI allows us to transcend the traditional mass education model of teaching to the average student, and progress into a world of mass customisation. In other words, he posited that with AI, we could customize our teaching according to the learning styles and needs of each student, providing adaptive, quality education at affordable costs. This would allow us to truly bring out the best in everyone, enhancing our education system substantially.

He then acknowledged the risks of AI, explaining that without a strong foundation, rapid adoption of AI in our education system could lead to cognitive outsourcing amongst our students and workers. In order to prevent this, there needs to be a larger emphasis on building strong foundations and cultivating the right dispositions in our students — in a world where knowledge is commodified, students need to learn to distill, discern, and discover, going beyond basic facts and figures to create something new.

SMU Associate Professor Dr Kim Seonghoon further elaborated on the impact of AI in the job market, postulating that even with the rise of AI, instead of being replaced, tech economists were likely to be even more valued due to their unique situational adaptability, giving them a cognitive edge over current AI technology.

The discussion underscored the importance of university-industry collaboration, where educational institutions adapt curricula to meet the requirements of tech and AI-intensive roles.

This approach aims to ensure graduates have the skills required for evolving job markets, which now demand a higher level of digital literacy and adaptability to new AI tools.

Impact on AI on markets and businesses

In “Generative AI in Finance” by Dr. Ding QinXu, the SUSS lecturer discussed the financial applications of both general-purpose Large Language Models (LLMs) and finance-specific LLMs, referencing the gradual adoption of such financial LLMs by big tech corporations over the years. He shared how effective utilization of models, from PIXIU to FinGPT, could lead to more efficient, data-driven decisions, revolutionizing traditional finance tasks.

However, the rapid uptake of AI technologies also brings regulatory and ethical challenges, such as ensuring data privacy and managing potential biases in algorithms. Balancing innovation with oversight is critical to maintaining trust and preventing market disruptions.

During the Panel Discussion, Dr. Ding further emphasized that financial advisors should be trained to understand and critically evaluate the output of such Generative AI models, so as to be accountable for the advice given by LLMs.

For businesses and markets, AI integration offers growth opportunities but also demands adaptability, especially for small and medium-sized enterprises (SMEs).

President of the Association of Small and Medium Enterprises (ASME) Mr. Ang Yuit stressed that SMEs in Singapore must reconsider traditional models and explore digital solutions to remain resilient amidst geopolitical and technological shifts. The forum also discussed how AI could enhance market resilience by improving efficiency and decision-making across sectors, positioning Singapore as a hub for sustainable AI-driven innovation.

Measures to cope with changes caused by AI

Minister Chan also highlighted that rather than rejecting the rise of AI, we must embrace it and learn how to leverage the strength of AI to improve the standards of our education. Starting from as early as the Primary School level, schools can capitalise on AI and technology to reconstruct and redefine education in today’s age. Minister Chan posits that technical skillsets are no longer as relevant in our volatile world; rather workers need metaskills like learning to learn that transcends any subject matter to remain employable in our ever changing climate. Dr. Kim further expounded on how educators can utilise AI and technology platforms in the lecture rooms. With the rising market for tech economists, Dr. Kim recommended for universities to regard economic science as a lever to solve business problems through emphasising practical data science management skills like Python and Spark, and offering specialised programmes with hands-on technology industry projects like work-study programmes. He further proposed that universities

should raise awareness about evolving job prospects, and encourage active industry engagement and exchanges.

In terms of the financial sector, we can embrace the ascendance of AI and large language models (LLM) to address the specialised needs of different industries. In “Generative AI in Finance”, Dr. Ding emphasised on the need to optimise the opportunities such AI models can bring us, such as through innovation in products and services and the development and implementation of cost-effective and customised solutions in individual businesses. Acknowledging the risks presented by such models like data privacy concerns and model inaccuracy, he emphasised the importance of responsible and ethical use of such models.

Overview of urgent geopolitical challenges

“We are in a very paradoxical state, where we remain deeply connected, but yet the world is increasingly contested”, Mr. Ziad Haider, Partner and Global Director of Geopolitical Risk, McKinsey & Company explained. International law and order is breaking down, civil wars are ongoing, and there is a looming sense that nothing is working out. Analysing specifically on the geopolitical tension between the two global superpowers, Assistant Professor at S. Rajaratnam School of International Studies Dr. Chang Jun Yan pointed out that the tension between the US and China only surrounds two aspects – cybersecurity and the economy, and the conflict between the two global giants is more economic than ideological unlike other wars in history. With increased geopolitical tensions around the world, with issues like the debate over the South China Sea, conflicts in the Middle East, and the Russia-Ukraine war, Singapore’s economic view, as posited by Dr. Chang, must remain an open economic system rather than an isolationist one, neutral and pro-Singapore rather than taking sides with either nations. Such is seen through her willingness to collaborate with both parties, signing bilateral free-trade agreements with both China and the US, and participating in other regional trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”).

Before addressing the impacts of geopolitics on markets and businesses, and analysing measures to cope with such changes, we must first delve into the root cause of the difficulties of globalisation, which leads up to such tensions. Mr. Ziad expounded that in many countries today, ‘the centre is not quite holding’. In other words, there is a visible rise in the forces of protectionism, isolationism and nationalism worldwide.

Impacts of geopolitics on markets and businesses

In this increasingly interconnected world where domestic policy changes have a ripple effect on other countries, causing changes to the global economy. As outlined by Mr. James Cheo, Chief Investment Officer, Southeast Asia and India, at HSBC Global Private Banking and Wealth, the recent trend of deglobalization reduced international trade and investments. This most notably made economies more ASEAN (Association of Southeast Asian Nations). This development was

suitably reiterated by Mr. Haider who offered that isolationism and protectionism led to more contested markets. Coupled with deindustrialisation that Mr. Cheo brought up, the continuation of fiscal deficits and high population growth is moving the economy to one highly dependent on demographics, thus making nearshoring, referring to relocating business operations, to ASEAN and Indian regions more relevant tactics. Moreover, the Sino-US competition involving trade imbalance and trade wars illustrate how competition manifests itself in the form of multilateralism involving pressurizing or confronting the other party. This point suggested by Dr. Chang reveals that geopolitics is not just a political affair; but also an economic one.

Measures to cope with changes caused by geopolitics

Geopolitical shifts have led to supply chain disruptions, increasing operational costs and leads us to the question: how do we ensure businesses in Singapore can stay afloat?

Mr. Ang posited that it is critical to extend help to local SMEs as they contribute to a significant 70% of employment or more. Viable measures include increasing collaboration with global partners, increasing our workforce through higher job satisfaction and productivity, and increasing competitiveness by developing talent and spurring innovation. These serve to empower SMEs to expand and enter the regional market for more business, more effective than grants. Whereas on the larger international scale, Dr. Chang advises to continue the successful strategy of hedging: to straddle the middle path as opposed to taking sides based on countries. A similar idea of ambiguity was proposed by Mr. Haider of being pro-Singapore and making decisions based on Singapore's own interests, requiring insight, oversight and foresight on our part. One possible solution was explored during the fireside chat with Minister Chan where he emphasised on the need for global cooperation with like-minded companies who are willing and able to collaborate for a global integrated economy. After all, the total of US and China's GDP makes up for only about one-third of the global economy, and the vast majority of the world's economic system is still composed of other countries. Minister Chan proposed that reaching out to those companies; with some larger corporations having a "GDP" larger than many countries, would create a more global economic system. To conclude, Mr. Teo Chin Ker, Head of Investments at Amundi SG, raised an important point: both global and regional problems impact due to our close interconnections with other countries. Thus it is imperative for local stakeholders to take action to combat the economic impacts of geopolitical mongering today.

Through the panel discussions and fireside chat, participants have gained insights on navigating the waves brought about by our volatile and ever changing world, and embracing the tides that surfs along. Amidst the challenges our world face today, we must remain optimistic and vigilant for the opportunities brought about to strive for economic wealth.