

POPULISM AND STRONGMAN RULE - IS DUTERTE A ROLE MODEL FOR ASEAN?

The Philippines' new President, Rodrigo Duterte, is enjoying a surge in popularity according to opinion polls, even as he blazes a highly controversial path since taking office in June. At home, a ruthless war on drugs - a key plank in his campaign platform - has brought allegations of human rights abuse. Internationally, he has insulted the Pope and US President Obama, and is engineering a pivot in foreign relations towards China at the expense of the US. Is Duterte ASEAN's Donald Trump or Boris Johnson, a role model for populism and strongman rule the region?

To be clear, even though President Duterte is no doubt a strongman, and highly popular because of it, we do not see him as being overtly populist in the common sense of the word. His economic policies are not textbook populism. His government has proposed income tax cuts for most Filipinos, but also new taxes on sugary drinks. He plans to run a larger fiscal deficit than the previous administration, but most of the extra spending is going into much-needed infrastructure. As stock pickers, these spell both threats and opportunities in specific sectors.

Despite the nuanced difference in the Philippines, populism as it is generally understood - a counter-reaction to capitalism gone too far - is alive as a thesis in ASEAN. However, its manifestation depends largely on local circumstances. ASEAN has also historically been familiar with strongman rule. Lee Kuan Yew and Mahathir Mohamad presided over periods of significant growth in Singapore and Malaysia, respectively. More controversially, Indonesia had Suharto, and the Philippines had Ferdinand Marcos. Today, the status of strongman rule in each country is also dependent on local politics.

In ASEAN, Singapore manifests the populist trend in a way that is most like the West. Ultra laissez faire policies in the 2000s culminated in the watershed elections of 2011, in which a five-

seat swing towards the opposition was considered a criticism on policies that marginalized the lowest classes of society. The ruling PAP did better in the 2015 elections, but only after a raft of populist policies, including immigration curbs, were implemented. Today, investors in Singapore need to contend not only with a more populist government, but also uncertainty over who will succeed Lee Hsien Loong as Prime Minister. Strongman rule is on the wane here.

In Malaysia, UMNO, the ruling party, under Prime Minister Najib is under pressure - both from the ongoing 1MDB saga and an economy reeling under low oil prices. Here too, a pivot to China is part of the solution, with massive infrastructure and property investments promised by Chinese parties likely to inject much needed funds into the country. Policies are likely to remain populist, but are constrained by a stretched fiscal position. Only with this, and an opposition which is in disarray, will strongman rule be preserved. We are watchful of the China angle for investment opportunities.

In Thailand, the military government, once viewed with some wariness, has gained popularity, as evidenced by a successful referendum on electoral reform held in August. This has been achieved in large part via populist policies like tax breaks for shopping expenses. There is heightened political uncertainty following the passing of King Bhumibol. We believe that the military government will successfully oversee the coronation of the Crown Prince and a transition to civilian rule. Policies will remain populist, in order to smoothen this process.

ASEAN is not left out in the global trend of populist policies rising in response to the voices of those marginalized by capitalism. As investors, these bring both opportunities and threats. Strongman rule, on the other hand, has always been part of ASEAN, and in selected situations, will rise in tandem with the populist movement.

Recent populist policies in ASEAN

	Immigration control	Property market cooling	Benefits for the masses	Other
Singapore	✓	✓	✓	Public transport overhaul
Malaysia			✓	Religious policies, Contract handouts
Thailand			✓	
Indonesia			✓	Protectionist policies
Philippines			✓	Crime crackdown

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