

Kopi Time E129: James Crabtree on the geopolitics of elections

Group Research

July 24th, 2024



Taimur Baig, Chief Economist
taimurbaig@dbs.com



James Crabtree
Guest Speaker



- 129th episode of *Kopi time*, a podcast series on markets and economies from DBS Group Research.
- Youtube link is [here](#). Available also on all major podcast platforms, including Apple, Spotify, Amazon, and Google.

Publication support: Violet Lee and Daisy Sharma

Please direct distribution queries to Violet Lee
+65 68785281 violetleeyh@dbs.com

Hello, this is Kopi Time, a podcast series on Markets and Economies from DBS Group Research. I'm Taimur Baig, Chief economist, welcoming you to our 129th episode.

Today, it's a pleasure to have James Crabtree back on the show. James is a renowned geopolitical analyst and author with many years of living and working in Asia. His book, *The Billionaire Raj: A Journey through India's New Gilded Age* was named as Amazon Book of the Year and shortlisted as FT and McKinsey Business Book of the Year back in 2018. I think James is still getting a lot of dividend out of it. If I'm not mistaken, he just launched a Mandarin version of that book a couple of months ago in China. James is currently a distinguished fellow at the European Council on Foreign Relations and a senior fellow at the Asia Society.

His recent string of lofty positions notwithstanding, I think of James primarily as an excellent columnist and journalist and foreign correspondent. He had an outstanding stint as FT's Mumbai Bureau Chief between 2011 and 2016. Before I personally knew James, I recall very fondly reading his goodbye column. Absolutely loved it. It even has the etymology of his son's naming. James still writes media columns from foreign policy to the FT, Straits Time to the New York Times, the Guardian, to the Wire.

James Crabtree, welcome back to Kopi Time.

James Crabtree

Thanks Taimur. It's great to be here for a second time.

Taimur Baig

Second time, indeed. James, I don't know if you recall, you previously appeared on episode 31, back in October 2020. That was quite the episode. We discussed the impact of Donald Trump getting Covid and recovering from that. We talked about the likelihood of an expedited Supreme court nomination process of Amy Coney Barrett, the politics around vaccine development in the near term. And the risk of uncertain transfer of power after the November Presidential elections. Four years later, James, we've come a long way, but there's still no shortage of drama, especially around

Trump. So, let's begin this podcast with the US and your comments on recent developments there.

James Crabtree

Well, it's been the most extraordinary week in politics. I don't know if I want to say in our lifetime, but it's hard to think of a more extraordinary week than beginning with an assassination attempt and ending with the withdrawal of an American President for the first time since 1968 in the midst of an election campaign. So, I think it's almost difficult to process what's happened. I suppose, if you look at the race now, I think we can assume we're recording this on Tuesday, 48 hours after Biden's announcement that Kamala Harris is going to be the nominee. It looks like a sure bet at this point. I presume we think that she starts the race somewhat behind given she has a polling deficit to make up. Nonetheless, this is now an entirely new race with entirely new dynamics. I think the Trump campaign was heading for a reasonably likely victory against Biden. And now both sides are going to have to retool what they're saying. And I think, you've moved from a situation in which it is very difficult to have imagined the Democrats winning with Biden as the nominee to at least a plausible chance of victory. And I think given this is a macro podcast, you have to remember that the economic fundamentals, which normally are the things that are the best indicator of a Presidential victory point to a democratic victory. If you look at economic growth, inflation, the normal indicators, do people think that their lives have improved? Yes, there are issues with inflation but generally speaking, the macro indicators would favor the incumbent in a race like this. So, I think, it's going to be a fascinating final 100 days and no real certainty now over who will win.

Taimur Baig

What would be Biden's legacy?

James Crabtree

I think everything depends on the next 100 days. If Kamala Harris wins, then his legacy will be on the Democratic side, at least assured. They really think he's a very good President and he has an extremely good record for a first term President in terms of legislative accomplishments. And if Harris wins, then he'll be seen as a former boss and Democratic operative of mind, put it on Twitter the other day,

an American Cincinnatus, somebody who with the Roman emperor, put country before his own legacy. But if Harris loses, people will say, well, he stayed in the race too long, he should have gone earlier, didn't give her enough time. So, I think his legacy really hangs in the balance and depends on what happens in the next 100 days. But I think generally speaking that if you look at the record that Biden has had in terms of legislative accomplishments and his inheritance then my sense is historians will be reasonably kind to him.

Taimur Baig

What would be Harris's strategy in the coming weeks and months?

James Crabtree

Well, she has to recast this debate as in a more traditional way, I think as about so not make it less easy for the Republicans to make this an election about change. And one that isn't quite the same narrative as Biden was. So, she doesn't have to run on his accomplishments in quite the same way. You saw a taste of this in her opening press conference or when in a sense, the thing that didn't work very well for her in her own Presidential run when she lost before the New Hampshire primary last time around, which was that the left of the Democratic Party portrayed her as this right wing prosecutor, friend of the police, actually, that will work quite well this time around. If she runs that playbook of tough but fair-minded prosecutor against felon incumbent, then I think that has some chance of success. You know, she has a few easy wins. I mean, she has a number of reasonably strong looking Vice-Presidential nominations. Nonetheless, I think you have to say she has an uphill road to travel. Her first Presidential campaign was not well inspired. She has struggled to define herself as Vice president, albeit that's a difficult job. And expectations are remarkably high and so particularly given she has a polling deficit to make up, let's say three or four points close, but non-negligible and in a race in which Trump has a battleground advantage, then if she doesn't start to make up that ground in the next few weeks and on the other side of her own convention, then questions will begin to be asked because above all the Democratic Party is terrified of a second Trump victory. And that was the reason why they acted against Biden because they came to believe that they weren't going to win with him as

the incumbent. Now, they can't get rid of a second candidate. But if Harris doesn't appear to be making up the ground that Biden has lost, then familiar problems will settle in. If you remember in the last campaign, Trump never led Biden in the popular vote sort of generic polling. It was always very rarely led. I mean he was normally tied or behind. And in the end, despite the fact that Trump won in his first election, he lost the popular vote. So, the fact that he is now consistently ahead in national polling and even further ahead in some of the battleground polling suggests that Harris has a hard job ahead of her. The last 40 hours have gone about as well as I think it's possible to have expected an announcement like this could have gone in terms of party unity, fundraising, the image of it, but it's not going to be this easy for the next period.

Taimur Baig

Right. You just said that the Democrats are terrified of a second Trump victory. I think you have also been writing recently that there are other parties who should be terrified of a second Trump victory. We'll come to that later. But first, what do you make of the Republican convention?

James Crabtree

I think it was successful. I mean, the imagery of Trump with the patch on his ear in the aftermath of surviving an assassination attempt was very powerful. I mean, his speech was ill disciplined, but in general, it was a remarkably united convention. I mean, if you think about the last time he was running, there was still a lot of debate within the Republican Party, a lot of people who were willing to speak out and never Trump, there's none of that this time around. It's a party that's very united and actually sufficiently confident that they were able to reach out to not so much, traditional, independent sort of college educated women voters. But, you know, there was a union representative who spoke, there were specific messages for African Americans and Hispanics. So, there was a real sense that Trump was sort of sufficiently confident that they were sort of able to seek a broader victory. I think in retrospect, it may be that they now have to retool their campaign and their strategy again because they're not facing Biden anymore. And so, some of the attack lines they were using against Biden, the fact that he was even older than Trump won't work anymore. I mean, Kamala Harris is 20 odd years

younger than him, is more energetic. She will perform one assumes well, in debates, she is going to be good at attacking him, so they have to come up with a new strategy. I also wonder whether the picking of JD Vance as the Vice president will look as clever in a few weeks' time as it did before because he is somebody who's very motivating for the Republican base, but not somebody who's very appealing to the kind of middle of the road voters that Trump still has to win. So, I think there'll be a lot of thinking going on in the Trump campaign at the moment about how they retool their strategy.

Taimur Baig

Alright, we have looked back enough. Let's do some forward-looking scenario analysis, James. How do you see a Trump second term play out?

James Crabtree

I think it depends where you look. So, the first thing that I would say is almost whatever happens in this election, the partisan divisions in the United States are so deep that it's very unlikely that you'll get through the post-election period without bloodletting of one form or another. If Trump wins, then there will be an immediate move to try and limit his effectiveness to operate using the court system in a whole different range of areas. I mean, if you use the Heritage Foundation's template as a guide, there will be all sorts of radical measures introduced to remove civil servants, push through changes to the way the executive operates, the whole range of different things that will then be resisted. So, the first thing to say is that the United States is going to go through almost certainly a period of bloodletting. And if there's any doubt in the result, as there was in 2000 or even in Trump's first victory when he lost the popular vote but won the electoral college, then that will only sharpen this. I think on the economy again, this is a macro podcast, seems reasonably certain that there will be a loose fiscal policy, potentially a looser monetary policy depending on what happens to the Fed Chair, very radical policies on trade, both specifically looking at China but also more generally in terms of universal tariffs, reciprocal tariffs. These are the kind of things that Trump's advisers are looking to do. And then on foreign policy, I suppose the big two pushes will be an attempted peace deal on Ukraine, which Trump seems quite set on one that would very unlikely not be advantageous to Ukraine. And a

continually tougher line on China, not just economically but geopolitically as well.

Taimur Baig

On the Middle East?

James Crabtree

I think that there's some continuity with the current administration as in Trump and his advisers, not least, his son in law, Jared Kushner have been very keen on the idea of doing the sort of transformational deal between Saudi and Israel that could reset the Middle East. So, I think they will continue to try and do that, but it's a very complicated piece to pull off, particularly with the war in Gaza ongoing. And I think a more belligerent line on Iran would also be likely from the Trump foreign policy team.

Taimur Baig

Would JD Vance who sounds even more isolationist than Trump have any impact on foreign policy?

James Crabtree

Probably not. I mean, most Vice Presidents are not significant figures in foreign policy. I mean, Biden was, and Cheney was, I suppose you have a couple within recent memory who were, but I think it just in a sense of Vance's instincts are not that far away from Trump's, which is, he doesn't particularly like foreign military entanglements, and he feels that Europe should do more in its own defense. So, I think if we'll come to Asia in a minute, I'm sure. But I think that if I was European and given, I sort of have one of my hats now as the European Council on Foreign Relations and I think it will be a tough period for transatlantic commissions if Trump wins, I don't think he's going to pull out of NATO, but I do think that you'll see more pressure on European countries to do more in Ukraine and as I say, pressure on Ukraine itself to cave in and agree to some kind of land for peace deal. The only thing that you can say in NATO's favor is that when Trump at his famous meeting in 2018, in which he called everyone out by name and demanded that they pay more at that point. There were, I think six or seven of the countries who met the 2% target. And now it's almost all, something like 23 out of the nearly 32 NATO members. So, NATO is in a much bigger

position, but these are real tropes of Trump's foreign policy beliefs that allies have taken the US for a ride. And I think you would see him playing those old notes. And when Vance was at the Munich Security conference, that's what he played up to, he was kind of playing up to the fact that he had the same foreign policy instincts as Trump. So, I don't think the US is going to become isolationist, but I think that instinctively Trump is less interested in playing nice with allies and partners playing the long game in the way that Biden has done over the last four years.

Taimur Baig

Are things like industrial policy and green transition sufficiently out of the bottle? That genie can't really be put back even if Trump wants to undo some of Biden's initiatives.

James Crabtree

I think it's a set of different instruments. So, the Democrats have been keener on subsidies and industrial policy. Trump prefers tariffs. I mean, often in a strictly economic sense, these tools can be used to achieve the same ends. But anyway, Trump likes tariff side. But I think you're going to see more tariffs whether he would support industrial policies, I think it depends on a case-by-case basis. So, he's always been very critical of industrial policies that support green industries. So, you accuse Biden of corruption over various solar deals. But on the other hand, I suspect that he isn't very likely to roll back the Chips Act for instance, which provides industrial policy support for various parts of the semiconductor supply chain. So, I think Trump is not a libertarian. He believes in manufacturing at home, but therefore I don't think he would undo, and he may even accelerate in some areas, the kind of industrial policies that Biden introduced with all of the risk of gaming and corruption that comes with that.

Taimur Baig

Ok. Scenario number two, how do you see a Trump defeat play out?

James Crabtree

I think the first thing that you say is that Trump is very unlikely to admit that he was defeated in the same way that he wasn't last time around. I mean,

we'll see if he was defeated for the second time. I mean, he may decide to go quietly, but I think if he is going to be defeated, it's going to be very narrow. I mean, the thing that is striking about the US sort of partisan divide in general is just the country is absolutely evenly divided. So, until only a week ago, even after a week or two after the debate of Biden being pilloried and being told to get out of the race that 538 projection still had it. It was an entirely tied 50-50 election. So, I think it's likely to be close. And so, I think you could expect some variant of the legal challenges. And Trump is not somebody who appears to be able to accept that he was defeated. That said, well, there's a sort of secondary question now, which is if we assume that it is going to be President Harris, then, clearly there would be enormous symbolism to her victory. First female President, second president of African American descent, first President of Indian descent. So, all sorts of symbolism and then a question about how her instincts domestically and in terms of foreign policy would differ from Biden's. I think it's early to say that. I mean, one of it, she isn't a politician who has sort of well worked out foreign policy or economic policy ideology that I think one can discern. She has played a greater role in particular issues like borders and immigration and criminal justice reform. You might remember, I can't remember if you were in the room. But one of the first events that any of us in Singapore got to go to after Covid was the visit of Vice President Harris when she came to the region to give a speech and it was an extremely lackluster speech. You know, 10 minutes, no substance, very little to say. So, she played it very safe when she came here to the region. Nonetheless, if you're looking at our part of the world, she has been here a few times. She's been to the Philippines and as far as one can say, very similar views to the Biden administration as a whole on China, on Ukraine. And therefore, I think you could expect broad continuity in most of these areas.

Taimur Baig

We did worry four years ago when you and I talked about exactly what happened, which is that after November 3, weeks, if not months will go by before a clear-cut decision is arrived on who is going to be the President. And that we also worried about the 2001 type Bush versus Gore situation that the Supreme Court might step in. So just staying with the scenario of a Trump defeat and the likelihood

that some legal proceedings will go all over the Supreme Court, and we all know which way they would lean, what's the risk of significant civil unrest?

James Crabtree

I haven't got the foggiest idea. I suppose you can say it's not zero. I think maybe more likely is a scenario in which one or other side wins and then the kind of legal challenges to their policy making agenda are what follows that sort of the bad blood in the wake of defeat leads to determined legal challenges. I still want to believe that the US isn't a much more divided political system than it was even 20 years ago. And many of the norms of sort of civil political discourse, including, the orderly transfer of power have been stressed. But I still think the scenario in which you have mass civil disobedience in the aftermath of a clear victory are unlikely. I hope so, at least.

Taimur Baig

Alright, fingers crossed. James four years ago, you and I agreed that China US relationship would be a bit more rules based and a bit less volatile under Biden. Did we get that wrong?

James Crabtree

I think we got that right. But only latterly, I think you've seen under Biden, a China relationship of two halves as in it began on a downward trajectory and continued that way through 2021 and 2022 particularly when Nancy Pelosi went to Taipei in the latter half of 2022 and the balloon incident that followed. And then in the last year and a half, you've seen both sides pulling back from the brink and you have slightly more orderly and structured bilateral relationship in which you have the Presidents meeting one another periodically and then some new diplomatic channels that have brought a degree of stability, albeit probably not long-term stability into the relationship. I don't really believe that that's sustainable in the long term, given the trajectory that both sides are on. But yes, if you go back to the last couple of years of the Trump administration when Pompeo was Secretary of State, not only did you have the disruption of the trade war process, the kind of negotiations over that, which complicated everything else. You also had a range of quite unstructured coercive measures that were flowing out of the State

Department and the National Security Council. At least under this administration, it's been a little bit more orderly as they try and balance the competitive measures. You know, the things that both sides are doing to try and get one up on each other. But also, then the diplomacy that's meant to manage those tensions.

Taimur Baig

Fair enough. James, it's been a good eight years of China US antagonism. We can't really say that eight years, like there was a discrete point when the antagonism began, but let's say four years of Trump and 3.5 years of Biden, the antagonism has sort of been intensified. So, has the US gotten a lot out of this antagonism phase? I mean, has the US position gotten stronger in Asia in the last eight years?

James Crabtree

We just did a book review for the FT this past weekend of a book by Richard Fontaine and Bob Blackwill about the history of the pivot, the move to reorient US policy towards Asia over the last 10 years and the gist of that book was that the US position in the region is worse now than when the pivot began. As in China's position, economically is much stronger, militarily, is stronger, diplomatically, I think you could argue the task as to whether the US has been able to manage this. I think what you can say about the Biden administration is that they have made diplomatic progress in terms of I think they recognize that the US is no longer strong enough economically or militarily to balance China on its own. And therefore, the game that it's playing is that it has to be a team effort. It's you, me, and the rest of us against them. And they've made some progress in that respect, in the relationship with Japan, with Australia, with the Republic of Korea, India is a big plus and the Philippines is a big plus. So, if you look at that, the real inner core of a US strategy, then all of those relationships are stronger and together, it looks diplomatically, at least like a reasonable balance for China. The challenges that underneath, despite China's economic challenges, the size of the two economies continues to tilt ever so slightly in China's favor, nobody really knows what's going to happen over the long term. But China's economy continues to grow and militarily, certainly China's military continues to outpace the size of the US military in the region. And so, it's a mixed picture. I don't think you can say that the US

strategy has been a failure in a sense. I think in some senses, Biden's team are quite pleased with what they've been able to achieve in terms of the bringing together of this balancing coalition. But China doesn't stand still either.

Taimur Baig

Now, the US enjoys so many advantages over China. It has the dollar as the world's reserve currency, it has massive control over leading edge technology. With such positions of strength, why does the US struggle to have a coherent strategy to counter China?

James Crabtree

Well, because it has a whole range of weaknesses as well. So, it starts out as the incumbent power, which sounds like it would be an advantage. But it also means it has global responsibilities. So, while I think it would be fair to say that the US remains the world's only superpower across the full spectrum of measures that you might look at. If you look at the balance in East and Southeast Asia, then it's much more even. And while China is able to increase its investment in its relationships and its military in its own backyard, the US struggles to reorient its commitments in the Middle East and in Europe. I do think that over the medium term, the US is going to succeed in this mission to some degree, at least it's going to extricate itself from Europe and the Middle East and move more of those resources towards Asia. And that's a very significant change in the history of the US. As in, the US has been an Atlantic first power forever, since its inception and that isn't going to be the way that it is going to conceive of itself in the future. The question I think is, will it be able to do that far enough and fast enough in order to balance the economic and military rise of China in its own region, which is ultimately what really counts. It doesn't matter at the moment; it doesn't matter which of the two powers are dominant in South America. What matters is the Taiwan Strait and the regions around the 1st and 2nd island chain.

Taimur Baig

I want to come back to Trump a little bit since we are talking about China and Asia. So, in a recent article in Foreign Policy, you argued that a Trump 2.0 would be far more challenging for Asian nations than Trump 1.0. Elaborate on that a bit.

James Crabtree

So, the article that I wrote started by looking at the contrasting responses to a likely Trump Presidency. And I still think that at this point you would say that Trump is a reasonably heavy favorite to win despite what's happened over the last week. And if you look in Europe, there's thinly disguised dread and panic. And if you look in Asia, there's a reasonably sanguine attitude and I think the reason for that is that particularly amongst the US close partners. So, Japan, India, Australia, Taiwan, last time around they felt they managed Trump reasonably well, South Korea, slightly less so because the South Korea in common with Japan was very nervous about Trump's gunshot diplomacy with Kim Jong Un and also South Korea doesn't particularly like Trump's attempts to get them to pay more for the US military personnel stationed in South Korea, but generally speaking, the US allies and partners in this type of the world were much less worried about Trump. They saw him as disruptive but manageable in a way that wasn't true in Europe where many political leaders were simply ideologically opposed to him. I think this time around, we have internalized the idea that Trump will be more effective domestically, that he will simply move more quickly. He'll be less constrained; he'll be able to do what he wants to do in terms of his domestic agenda. But I think that's also true in terms of foreign policy. This time around, there's going to be no centrist generals like H.R. McMaster or Jim Mattis who were there viewed somewhat patronizingly as the adults in the room when I think Trump will pick a national security team which closely mirrors his own instincts. And that means some moves, for instance, we've talked already about in the economic domain, what this will mean in terms of tariffs, which I think will not be welcomed by many countries in this region that still believe in the benefits of free trade, but also militarily, if you look at the Robert O'Brien who used to be the National security adviser, the last of the four Trump National Security Advisor, he just wrote a piece in foreign affairs that was very assertive in terms of what the US should do. The really eye catching measure was that he was arguing that the US should move the entirety of the Marine Corps into the Asian Theater to prepare for a war against China. These are the kind of measures that would be seen as escalatory particularly in Southeast Asia but potentially also in other parts of Asia as well. So, the

argument that I was trying to make was that countries in this part of the world need to prepare for a forceful unconstrained Trump Presidency and that may be more disruptive, more difficult to manage than the previous one.

Taimur Baig

Is there a chance that Trump who's been sort of beleaguered by domestic issues, like lawsuits and his assassination attempt and so on, takes his eye off foreign policy for a while and becomes more of an inward-looking President.

James Crabtree

I doubt it. I think he has things that he wants to achieve in the international domain and the general rule is that second term Presidents spend more time on foreign affairs than domestic affairs, particularly as they move on in their Presidency and are no longer thinking about reelections. So, I think he has from a peace deal in Ukraine to a Middle East deal between Saudi and Israel to an even firmer, more kind of coercive approach to China. I think he has things that he wants to push through, and he felt that he was constrained in his ability to do that by "the deep state" and some of his own picks. So, this time, I think he's going to try and move more quickly to get done what he wants to get done.

Taimur Baig

Alright listeners, you have been forewarned by James Crabtree. We've talked a lot about US elections. We have had a few other momentous elections this year. So, I want to go through three of them first, UK.

James Crabtree

Well, the United Kingdom is in a very unusual position. I was in London a month or so ago and I ran into a former permanent secretary, they'd been in Paris, and it was an unusual position for someone from the UK to find that British politics was less dysfunctional than French politics for a change. You know, we have just elected a reasonably sort of middle of the road labor government with a reasonably middle of the road, quite competent team with a majority which although fractionally smaller than the one that Tony Blair won in 1997 does suggest that you would bet that they would

probably get not one term but two. So, after a period of economic mismanagement and policy mistakes in particularly Brexit, but you can date this back to the austerity which followed the financial crisis. The United Kingdom at least has a period of reasonably stable government ahead of it, headed by, if not enormously inspiring but very sensible and moderate Prime Minister and I think a little bit of kind of sensible, moderate government would be no bad thing that is not to elide the major challenges that the UK in common with all northern European countries face. The public finances are dire, the balance between finding such money as there is available to rebuild the public realm in terms of health services, education, all sorts of things that have been cut to the bone over the last decade is extremely hard to balance without a commitment, not least the aspiration to increase defense spending to 2.5%, potentially 3% which is exceedingly expensive but probably necessary given the worsening international security environment. And then I suppose politically, there's a lot of pressure on this labor government to be able to deliver improvements to living standards, to wages, to economic growth, to a country that is feeling very beaten down. And if they don't manage to do this, you already saw in this election a fracturing of the traditional center parties. And I think that there is a risk, a very clear risk that if this government is not able to deliver, then voters will turn to the extremes in a way that might be more meaningful in future elections. So, the stakes, in a sense, a kind of centrist technocratic government are very high that they have to prove that they're able to deliver or voters will return to the sort of rather sullen unhappy mood that they've been in over the last decade and punish them next time around.

Taimur Baig

Yeah, sullen and unhappy is absolutely the sentiment I pick up during my travels in England and I think of people in the UK as you know, particularly stoic but it felt feels these days that the social fabric is straining to the to the limit. Tim Hartford had an article in the FT a couple of weeks ago, I think right around the time of the elections and he showed this revenue to GDP chart of the UK going from the 1950s onward, I had thought till I read that article that between the Thatcher revolution and 15 years of Tory rule, revenue to GDP today would be significantly lower than say in the fifties or sixties when tax rates were very high. It is the same. I found

that extraordinary and that also made me really alarmed that where is the space to raise more revenue for all the things you're talking about infrastructure and public health and so on?

James Crabtree

I mean the tax to GDP ratio in the UK is very high. It's not as high as France or some of the Scandinavian countries, but also the services that you get for that are nowhere near as generous. So, it is a real challenge, and it is why this government has come in with such a focus on increasing growth rates because it's only by increasing growth rates and productivity that you're going to be able to square the circle of bringing down historically high debt and government spending levels while improving services. But as you or anybody else would know, then measures that increase growth and productivity are hard to find and the most obvious ones rejoining the European Union for instance, are off the table and others such as reform of the planning system are politically extremely unpopular, at least if done in a thorough going way. The labour government has introduced a few notional tweaks but not the kind of thing that will make a meaningful difference to growth and productivity. So, that's what I said at the beginning, the challenge that this government faces is significant and one that is true across a number of the richer industrialized northern European countries that they have long term fiscal pressures from aging populations, rising healthcare spending, a whole range of things. But as you say, the UK situation is just particularly acute at the moment because it does feel as if through a combination of austerity and other budgetary choices that the state, although expensive has in many ways been cut to the bone, prisons are overflowing, essential services like dentistry don't really work anymore. So, there's a whole range of kind of managerial challenges which are going to require money to fix, and it might be that you could manage to do that if you didn't have to also find a huge amount of money to increase defense spending. I think that's the real challenge. It's also a much more complicated tradeoff for a left-wing government because you want to do both of these things and it's very hard to do both.

Taimur Baig

I personally think James Crabtree's return to England is basically the trough. It's only upside from here.

James Crabtree

Well, we have to hope. Maybe it's the other way around. James Crabtree only goes back to England when there's a reasonably sensible government.

Taimur Baig

So, yes. That's for sure. James a lot of drama with the French elections.

James Crabtree

I think the basic thing to say is that Macron's political career is effectively over and that is troubling, not just for France, but also for Europe because at the moment, you have a weakened French leadership and a weakened German leadership. There will be an election in Germany towards the back end of next year in which it's not really plausible to imagine Chancellor Scholz winning, I mean, not impossible but certainly not likely. And so, from a European perspective, the fact that Macron took this gamble and didn't quite lose as badly as he might have done, but still lost, still gave a much higher proportion of votes in parliament or seats in parliament than they would otherwise have had. That means that the remaining years of his Presidency are unlikely to achieve very much. But it also means that Europe is going to be more divided at a time in which Europe needs to be more united, particularly if Trump wins the Presidential election.

Taimur Baig

Right. I think, from your vantage point, in London going forward, I guess you'll see this firsthand. But I feel that this is just disaster delayed as opposed to disaster averted. We'll see with France. I'm going to end the podcast by coming back to the country that you spent a good chunk of your time as the FT Mumbai Bureau Chief India. When you left India back in 2016, Narendra Modi was a relatively new Prime Minister and now he's stepping into his third term all, but with a slightly weaker majority. Your prognosis on the fastest growing emerging market economy in the world.

James Crabtree

Well, I think the Indian election was good news really. I mean, not good news for Narendra Modi, but given that he and his party were hoping for a much more emphatic victory, but it does provide India with a rejoinder to those who were worried about the strength of its democracy, what was called democratic backsliding. And as you will know, the markets have tended to view the strongest possible BJP majority as the best thing for the Indian economy. And, therefore, equity valuations were run up on the back of an expected Modi strong victory. And there was a correction after it was revealed that that didn't happen. But at least there's a good theoretical reason to think that often the most important structural economic reforms that India has been able to introduce have happened under coalition governments because the political economy of these reforms suggests that you need a fairly broad coalition to move through like the goods and services tax, which took the best part of a decade to introduce and the same would be true with potential reforms in areas like agricultural labor laws. So that doesn't necessarily mean that this government in its third term is going to be able to introduce substantial economic reforms. But I think it would be wrong to conclude that that's now impossible. And in fact, it might be easier to do when you have a coalition government where you have to negotiate and seek public legitimacy rather than just push things through with your parliamentary majority. But in general terms, I think that it's not just India. I mean, I think in this one of the big themes of this year at the start of the year, I noticed there are lots and lots of elections. So, this was the year of democracy, and we will see what happens in the United States and how that ends up. But at least some of these elections have turned out either well or not quite as badly as you might have hoped. So, the Indian election was very positive. The British election was quite positive. The Mexican election at least was clear and then you have, I suppose the best that you can say, the European and French elections weren't quite as bad as everybody hoped. If your benchmark is that it's better not to have extremes of the right and the left in power. At least they could have gone a lot worse. So, we'll see. I think it's important to be optimistic and it is just about possible that if we get to the end of the year and we have a fair election in the US with a clear victory for one side or another. And we might say that this year of democracy actually wasn't as bad as

perhaps the gloomier voices predicted at the start of the year.

Taimur Baig

James, this reminds me of a conversation you and I had in the summer of 2016, and I think the conversation went something like at the end of 2016, the world would look back at the Brexit elections and the US election and say we flirted with disaster twice and came back from the brink. We got both of those so wrong, but so far, so good and fingers crossed.

James, it's been great to have you in Singapore. Don't be a stranger. I'll see you in London and I'm sure you'll travel to our part of the world. But for today, thank you so much for your time and insight.

James Crabtree

Thank you, Taimur. A great pleasure as ever.

Taimur Baig

Fantastic. Thanks to our listeners and viewers as well.

Group Research

Economics & Strategy

Taimur BAIG, Ph.D.

Chief Economist

Global

taimurbaig@dbs.com

Wei Liang CHANG

FX & Credit Strategist

Global

weiliangchang@dbs.com

Tracy Li Jun LIM

Credit Analyst

USD Credit

tracylimt@dbs.com

Amanda SEAH

Credit Analyst

SGD Credit

amandaseah@dbs.com

Nathan CHOW

Senior Economist

China/HK SAR

nathanchow@dbs.com

Eugene LEOW

Senior Rates Strategist

G3 & Asia

eugeneleow@dbs.com

Daisy SHARMA

Analyst

Data Analytics

daisy@dbs.com

Han Teng CHUA, CFA

Economist

Asean

hantengchua@dbs.com

Teng Chong LIM

Credit Analyst

SGD Credit

tengchonglim@dbs.com

Joel SIEW, CFA

Credit Analyst

SGD Credit

joelsiew@dbs.com

Mo JI, Ph.D.

Chief Economist

China/HK SAR

mojim@dbs.com

Tieying MA, CFA

Senior Economist

Japan, South Korea, Taiwan

matieying@dbs.com

Mervyn TEO

Credit Strategist

USD Credit

mervynteo@dbs.com

Byron LAM

Economist

China/HK SAR

byronlamfc@dbs.com

Radhika RAO

Senior Economist

Eurozone, India, Indonesia

radhikarao@dbs.com

Samuel TSE

Economist/Strategist

China/HK SAR

samueltse@dbs.com

Violet LEE

Associate

Publications

violetleeyh@dbs.com

Philip WEE

Senior FX Strategist

Global

philipwee@dbs.com

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates)

The information herein is published by DBS Bank Ltd and/or DBS Bank (Hong Kong) Limited (each and/or collectively, the "Company"). It is based on information obtained from sources believed to be reliable, but the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. The information herein is published for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and/or employees may have positions or other interests in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for these companies. The information herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction (including but not limited to citizens or residents of the United States of America) where such distribution, publication, availability or use would be contrary to law or regulation. The information is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction (including but not limited to the United States of America) where such an offer or solicitation would be contrary to law or regulation.

[#for Distribution in Singapore] This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) which is Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 65-6878-8888 for matters arising from, or in connection with the report.

DBS Bank Ltd., 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.

DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

DBS Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability. 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

Virtual currencies are highly speculative digital "virtual commodities", and are not currencies. It is not a financial product approved by the Taiwan Financial Supervisory Commission, and the safeguards of the existing investor protection regime does not apply. The prices of virtual currencies may fluctuate greatly, and the investment risk is high. Before engaging in such transactions, the investor should carefully assess the risks, and seek its own independent advice.