Opinion: A Trump economy could make Singapore great again

By Jerry Nickelsburg

The Trump victory may well spell the end of America's previous Pacific Rim aspirations.

We will quite possibly see a significant shift of innovation and entrepreneurship westward in the Pacific Rim—indeed, so far West that the center of economic gravity ends up firmly in the Far East.

There are two big reasons for the shift. First, new trade policy is likely to diminish the competitive environment for domestic manufacturers. Second changes in immigration policy will make the U.S. less friendly to talented foreigners.

In particular, innovators and tech entrepreneurs from China (vilified in the campaign), Indonesia (the world's largest Islamic country), Malaysia (another Islamic country) and India (with a Muslim population of 175 million) will feel less welcome. Instead those smart, entrepreneurial innovators will be more inclined to migrate to another hub of technological innovation, perhaps Singapore, Bangalore, Toronto, Tokyo or Shanghai. Singapore, with centrality, two large universities and several small technical colleges and the new Singapore Technology Development Center, is especially ready to take advantage.

In 2015, Shanghai eased restrictions for foreign science and technology professionals willing to participate in the Chinese Communist Party's innovation initiatives at its new technology hub. When I was in Shanghai with a UCLA class last March, we learned that even though China ranked low on IP protection, innovation in the new hub was starting to explode. Silicon Valley Bank, whose original mission was funding new ventures in California, is in a joint venture to fund to new Shanghai start-ups.

The U.S. election will push not only people but also the products they produce in a "westward to the East" direction. New innovative products coming out of expanding Asian tech centers will be traded among Asian countries and not as much with the U.S. This is because American trade policy will be less friendly toward imports that compete with U.S. manufacturing.

The rejection of the Trans-Pacific Partnership trade deal and the consequent ascendency of the Chinese-led Regional Comprehensive Economic Partnership (RCEP) will reinforce this trend. Meanwhile, as our innovation edge erodes over time, the U.S. will likely lag in producing, and exporting, cutting-edge goods. Instead U.S. firms may come to copy what the foreign firms are doing much in the way that the Chinese now try to copy what quality U.S. firms are doing.

One might argue that the U.S. is a very large economy and therefore restrictive trade measures are not liable to have much impact. Domestic competition and the ability to sell in a very wealthy market should be attraction enough for entrepreneurs.

While that might be true, protectionist policies—what economists call import-substitution policies that include high tariffs on imports, like those suggested by Trump during the campaign—have been pursued by many countries and studied extensively. The consensus is that, by protecting domestic firms from more efficient international competitors, they hurt economic growth and manufacturing efficiency.

A desired move toward a more protectionist economy was one of the key takeaways of the Nov. 8 vote. The electorate may have deliberately chosen international withdrawal, opting for stable but less efficient domestic industries over dynamic and nimble leading industries.

It is rare—and very valuable—for a place to achieve critical mass in a certain industry. Critical mass in entertainment occurred in Los Angeles because it was possible to film in a variety of nearby locations all year. Many states and countries have tried to counter it with subsidies, but Atlanta, Toronto and others have transferred wealth into Hollywood moguls' bank accounts in Beverly Hills, and not into a self-sustaining critical mass. The same is true with technology and Silicon Valley. The Silicon Corn Field in Iowa and Silicon Bayou in Louisiana are only shells of what the planners dreamed of for them.

We don't know right now which places are going to be most competitive and achieve critical mass in innovative industries as the Pacific Rim center shifts west. My money would be on Singapore, with its English common law, low taxes, affluent and well trained work force, major universities and central location. If Singapore (or insert your top candidate here) in fact hits critical mass, it will be very hard to dislodge. So even if the U.S decides to reverse course on immigration and trade policy in the future, we will have to live with the consequences of this shift.

In 2011, Joshua Kerlantzik in an article in Current History argued that the 21st Century was "not quite yet" the Asian Century. A shift to the west of innovation and technology may well change that.

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