

"The 5th Asia Economic Summit"

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Chairmen

Prof. Wang Gungwu

(Chairman, East Asian Institute, EAI, National University of Singapore)

Dato' Dr. Michael Yeoh

(Chief Executive Officer/Director, Asian Strategy & Leadership Institute, ASLI, Malaysia)

Mr. Ronnie C. Chan

(Chairman, Hang Lung Limited, Hong Kong & Asia Society Hong Kong Center)

Welcoming Speech by Co-chairmen

Prof. Wang Gungwu:

I would thank and welcome all the participants on behalf of the East Asian Institute and the conference organizers. My colleagues and I in EAI have been studying China for 12 years from 1997. We deep felt that cooperation and understanding between Asian countries is critically needed in this era of globalization and rise of Asia. Last year the onset of global financial crisis and subsequent election of Obama as US. President has shocked the world. The Global Financial Crisis, like a heart attack in the capitalist system, suddenly enlightens us on the myriad vulnerabilities and systemic failures. Yet the election of Obama also gives us some hope. The GFC and its subsequent events therefore arises both optimism and pessimism. For Asia, the financial crisis demands vigorous response from all Asian countries, from China, Japan to the small countries of ASEAN in a joint cooperative manner. The Questions arise: How will Asia decide on our role in the GFC? What choice and decisions should Asia make in the crisis in the USA? I hope this conference, which brings together insights from all over Asia and across different spheres, will provide insights to these questions.

Dato' Dr Michael Yeoh:

Today the world is heralding a recovery after the moral crisis of capitalism. One consequence of the crisis is that Asia now becomes more relevant and important for the world economy. As Prof. Wang mentions in his speech, there are many questions to be addressed in the after-crisis era, what role should Asia play? How will Asia fare in the future? Will China lead Asia in the next economic boom? What role should ASEAN play in the future development of the world economy? Meanwhile, economic growth and development has created two distinctive world of Asia. There is the Global Asia, embodied by Shanghai, with all its glamour and splendors and skyscrapers; there is also the Asian hinterland and urban slums, which is still struggling with desperate poverty and short of everything. A rapidly developing Asia should give a high priority to the problem of rising inequality. For all key issues to be addressed in today's Asia, I would propose 3 Cs, 4 Is and 4Es. The 3 Cs are Competition, Corruption and Cost of Business; the 4Is are Inclusiveness, Infrastructure, Investment and Innovation. The 4Es are Education & Human Capital, Environment, Energy and Employment.

Mr. Ronnie Chan:

This conference itself shows the innovativeness of the Asians. We have managed to bring people from Singapore, Malaysia, Hong Kong, Thailand, the Philippines and mainland China. Let's talk about what is right and wrong about Asia. Asia faces a lot of problems, among which there is the difficulty of integration. For Asia to succeed, we need to be brutally realistic. This is the law of success. The Americas succeed exactly because they are the most realistic and rational people. I have much questions and doubts with such thesis as the Asia Century and decoupling. We have perhaps underestimated the Americans by posing such grand questions. The America is still the most powerful nation, dominating the world in technology, industry, military, education, culture and ideology. We should make these clear before going into the thesis of Asia's rise. Today although the agenda is already there, the main thesis is still to be shaped by discussions in the following hours. We look forward to a day of fruitful exchange. At least we must confirm that "As Asians we should not fool ourselves."

Session 1 – "Asia's Recovery: Where Are We Now"

Speakers: Mr. Joseph Tan

(Director/Chief Economists, Credit Suisse, Singapore Council of Security, Singapore Institute of International Affairs)

H.E. Wei Jianguo

(Secretary-General, China Center for International Economic Exchange, CCIEE, Vice Minister of Commerce, China)

Mr. Manu Bhaskaran

(Partner, Centennial Group, Singapore)

Mr. P.K.Basu

(Managing Director/Chief Economists, Asia ex-Japan, Daiwa Securities, President, Indian club in Singapore)

Moderator: Mr. S. Roy

(Founder/Chief Executive Officer, ASEANAFFAIRS Bangkok)

Introduction by Mr. S. Roy:

The speeches of the three chairmen have set the focuses of today's event. I have a few additional questions. The first question we need to answer is: where are we now on the way of recovery? Will Asia decouple from the US this time? While export to US is important, we cannot deny that the role played by a loose monetary policy on the part of the US. If Asia is on the way to recovery, we might also question whether this recovery is indeed sustainable. A thing is certain: when government support policy withdraws, all Asia economies will face a difficult test of structural change. This raises a related question as to Asia's economic prospect in the future, what path will the economy follow? "L", "W" or "V" shapes? While the stimulus package works in the short-run, it becomes a question whether they are still effective in the long run.

I think this crisis has demonstrated that Asia needs a regional mechanism for a regional economic growth and development which is still lacking. We must see the necessity of rebalancing the Asian economy, by boosting domestic consumption, in order to achieve sustained growth. Finally, there is the last question: What is the growth prospect for major Asian economies like China, India and ASEAN?

Mr. Joseph Tan:

At the inception of the crisis people are talking about decoupling. But decoupling is a difficult question. First question we must ask is what does decoupling mean? When talking about Asia's decoupling, is this decoupling vis-à-vis what? Does it refer to regional economy and the global economy?

Asia has performed relatively well with regard to major developed economies. The Asian Financial Crisis leads to the de-leveraging of all Asian economies. In the eve of the Global Financial Crisis, all Asian economies have relatively healthy balance sheets for banks, government and corporations. Thus they are all better prepared this time. The government's response this time is also prompt and resolute across different economies, from China, US, EU to the Asian economies. All central banks around the world are ready to offer low interests and easy loans. Huge liquidity flows thus support the world economy better this time than the last time.

However, the US economy today is still dragged down by weak labor market, a flagging housing market and the equity market that still failed to rally. Thus it is still difficult to assess the recovery in the US. The following income for most households means a future reduction in consumption and thus national income, and the statistics in the household sectors is not a promising sign for the economic situation in near future. Furthermore, there is the problem of global imbalance. The crisis has induced a structural change in this system of imbalance. Over-accumulation of US assets by foreign countries is putting a lot of pressure on the US dollar and American interest rates. The US has no choice but to pursue a gradual depreciation. Meanwhile China has begun to accumulate real assets like Gold and metals, RMB settlement in China's bilateral trade and international issuing of the RMB denominated bonds are also in policy discussions. If China already began to lose faith in the US dollar, the risk of dollar will increase tremendously. In view of these unresolved structural dilemmas, the global economic prospect is still very uncertain.

H.E. Wei Jianguo:

I must say that I have full confidence in the economy of Asia after witnessing and observing the unfolding of the financial crisis and the performance of Asia. I have five points to make regarding the prospect of the Asian economy in the post-crisis era. First, Asia needs a voice in global stage, in various global institutions and international economic governing bodies such as IMF, World Bank and WTO, in order to spell out Asia's interests and defend Asia's positions in the world economy. Second, Asia needs to undergo an economic restructuring, from a development pattern based on external demand to one that is primarily driven by domestic demand. Third, Asia must grasp the opportunity to develop Green Energy to

ensure sustainable development. This is the One Chance for Asia to lead global development in the near future. Fourth, China must strengthen its cooperative ties with all Asian countries. Fifth, the reform of the export-oriented economic structure must proceed with gradual and moderate steps, in order to prevent major disruption on employment and social insatiability. As for the Chinese economy, we predict with confidence that China will achieve its initial targets of 8% growth rate for 2009, judging from the satisfactory performance of the economy during the last three quarters and the robust upward trend. However, China's economic structure is in need of a major structural reform in order to sustain the present growth rates. I believe this kind of conference is very good for exchange and cooperation among the Asian countries. Asia definitely needs more functions like this to enhance mutual understanding.

Mr. Manu Bhaskaran

In the short run, Asian economies will perform even better in the near future, since the lagged effects of fiscal and monetary stimulus packages will even emerge in full-fledged forms in the next quarter. Due to the scale of these stimulus packages, there is still high uncertainty in the economy and various estimations on major economic indicators always bear very wide margin of error. Although intra-Asia trade has been growing steadily, the US, Japan and the EU are still the major sources of demand for Asian products. G3 demands feedback through multiple linkages. As long as the G3 are sluggish, the Asia economy will not have a full recovery. Decoupling is out of question here. Asia's recovery in the short run depends on Asian countries' resilience in promoting their own domestic demands.

The economic prospects of 2010 will be much better than 2009, despite increasing volatility and the effects of the unresolved issues in the economy. Asset markets in emerging economies are expected to outperform that of developed economies. Speculative activities and asset bubbles are expected to be on the rise. Market discipline and discretion in policy will be much valued for Asian governments. Policy coordination is another thing that is urgently needed. Asia needs to speak in one voice, as H.E. Minister Wei pointed out just now. However, the political will is still lacking to make a unified Asian monetary policy a reality.

In conclusion, optimal economic model for Asian countries must contain this following common thrust: resilience and structural adjustment. On overall terms Asia will do well. Next year will be better than this year and the future will be even brighter.

Mr. P.K Basu:

As far as the present economic data suggest, the L shape economic crisis is now ruled out. Asia is well on the way to full recovery. The second quarter already saw signs of recovery, whereas the third quarter emerges as a period of strong growth. From the perspective of trade and international economics, Asia is becoming more dependent on developing markets as the source of external demand, rather than the OECD demand. Private consumption in all developing markets experiences a major upsurge in 2008-2009.

A 3.5% growth is forecasted for the global GDP growth. Asia will return to their potential growth path, with more than half of trade concentrated in intra-Asia trade. China in particular, now trades with the developing world for more than 50% of its total trade.

Recession is clearly behind us now. It seems many observers have been over-pessimistic at the beginning. The situation is more similar to 1993 rather than 1933, or rather like the 1982 crisis without double-dipping, as both deflation and pro-long recession are clearly out of sight. Asia is much better positioned in the aftermath of the crisis vis-à-vis the rest of the world. There is fairly strong recovery in the former export-oriented economies, such as the Tigers and China. However, an important economic shift has taken place, namely there is now complete investment draught in ASEAN region. FDIs to China and Indian have risen 238% and 220% over the 1996 level, whereas FDIs in all ASEAN countries except Singapore have fallen thence. ASEAN governments need to take into account this situation and consider expanding domestic and foreign investments to remedy this relative shortage. It is noted that consumption in China also sees major rise this year, this is good news for Asian countries since there emerges on the horizon the largest market for all Asian goods in the vicinity.

Q&A Session:

Question from Sia Ka Mou, Independent Scholar to Joseph Tan

I have a suggestion. We can link all major world currencies into a basket consisting of both soft and hard currencies. That will help the world to avoid excess leverage of commodity future in the case of currency instabilities. Is it feasible or preferable?

Answer from Joseph Tan

Commodity lacks the store of value function of money or currency. The complex interests formed around the global financial markets will make it very difficult to establish such a common basket of currencies. For example, countries with hard currency, such as the United States, will stand to lose its control over monetary policy if a world fixed currency is formed. The United States will definitely resist such a scheme.

Question from Dr. Zhang Yigang, Visiting Research Fellow, EAI to Joseph Tan

Your diagrams have clearly indicated that there is still big difference between the leading and coincidence indicators. Coincident indicators are still lagging behind, showing a rather sluggish or even uncertain recovery. What is your comment on that difference?

Answer from Joseph Tan

Yes. I agree that coincident indicators still show a rather dismal picture for the Asian economies. There is still uncertainty around that. However, since the leading indicators are showing a robust recovery, we still have confidence that Asia is heading for a strong recovery.

Question: from S. Roy to H.E. Wei Jianguo:

H.E. Mr. Wei suggests that China and Asian should shift away from its old development models. How visible is for Asia to shift from the old model? Can you elaborate on that?

Answer from H.E. Wei Jianguo:

Overall I am quite optimistic about the prospects for Asia economic development. Asia is now standing at the crossroad of development. Even the US is now increasing their domestic demand, it could be expected that the demand of Asian processed goods exports will decline further. It is very doubtful that Asia can still rely on an export-driven economic model in the future. However, since all restructuring needs time, even the US requires 10 to 15 years to complete the process of structural change, Asian still have some limited time to work in the following four aspects. First, in the clean energy and renewable economy sector, China, Korean and Japan all have some leading edge and potential for change. Singapore is also quite active in the related projects, such as eco-city project in Tianjin. Second, service trade has great potentials. Thirdly, economic cooperation in the stage is expected to be on the rise for all Asian countries. Fourth, cooperation in the financial sector is particularly promising development in the next step.

Session 2 – “Will the 21st Century still be an Asian Century: What is China’s Role?”

- Speakers:** **Ambassador Wu Jianmin**
(Member, Foreign Policy Advisory Committee and Formal President, China Foreign
Affair University, Beijing)
- Mr. Ronnie C. Chan**
(Chairman, Hang Lung Properties Limited, Hong Kong)
- Prof. Kishore Mahbubani**
(Dean, Lee Kuan Yew School of Public Policy, National University of Singapore)
- Mr. Thai Quang Trung**
(Regional Coordinator, Hanns Seiden Foundation)
- Mr. Teoh Kok Lin**
(Founder/CEO, Single Asset Management Sdn, Malaysia)
- Moderator:** **Prof. Wang Gungwu**
(Chairman, East Asian Institute, National University of Singapore)

Prof. Wang Gungwu:

There is more optimism in the last session than I had expected. We are all happy to see that Asian economies are doing well and the governments are reacting promptly to the crisis. This reminds me of the rediscovery of John Maynard Keynes who have first raised the question of government economic roles in the macroeconomic management in a time of crisis like us. Following the crisis of our day, his theory now re-emerges as a powerful force in the realm of academic and policy realm. I am surprised to find that after 70 years since the Great Depression, the world is still tied with the same conceptual framework, terminology and ideas first put forward by Keynes. This again demonstrates clearly the power of ideas. Nowadays economic and financial forces have bonded the world into one family, now it is the turn for the rising Asia as junior members might help the senior members. Will Asian play a leading role in this century, and what is the role for China? This session will have a group of distinguished guests to address this question.

Ambassador Wu Jianmin:

Regarding the role of China against the backdrop of a rising Asia, I would like to make three points.

First, I believe the coming century is epitomized the rise of Asia. However, we should understand the rise of Asia not as a fresh event but a historical process in shaping the international order. Japan is the first to rise in Asia, followed by the Tigers and ASEAN. China’s rise is only the present episode of this century-old gradual rise of Asia on the world stage. As a process that spans well over a century, the rise of Asia

proves to be a sustainable process supported by growing historical momentums. It should also be understood not as the rise of solitary countries, but the rise of the whole Asia, as Asian countries have demonstrated in the 1997 by helping each other to pass through the difficult year of the Asian Financial Crisis.

Second, I disagree with the thesis of Asian Century and Chinese Century. This is because Asia rises in a way different from both Europe in the 19th century and the United States in the 20th century. Both these powers rise at the cost of the rest of the world. The rise of Asia, however, is essentially a benevolent process characterized by sharing benefits with the rest of the world. Against concepts like the Asian Century, I will call 21st century the Global Century.

Third, let's talk about the Chinese role in the rise of Asia. Most importantly, we should understand that China's external rise is dependent on the domestic policy of reform and opening. Without the domestic premises, there is no way to talk about China's rise. China has learnt the lesson that self-seclusion would only lead to China's backwardness as China's history in the 19th century demonstrated. We should look at China's rise is a peaceful rise, with no expansion, no hegemony and no alliance. This is Deng Xiaoping's statement made in 1974 to show China's formal commitment to the international community. I was present at the speech. These principles have never changed since then. China regards the international game as a win-win game. This is the vision behind China's international strategy. Based on this vision, China would concentrate on developing ourselves while maintaining a long-standing relationship of cooperation with all our partners.

Mr. Ronnie C. Chan:

I still remember the publication of a book called *The Pacific Century* in early 90s, which tells the story of the rise of the Pacific Asia. The book tells a story of bitter history of colonialism, the failed first rise of Japan as an imperialist might and the self-seclusion of China. Today, while Asia has witnessed breakthrough economic development since the world war, it has yet to resolve the deeper problems on its way to exert itself as a global power, such as weak social institutions (in the case of China and India where there is significant undersupply of public goods), uncertain political uncertainties (in the case of Thailand and the Philippines where failed democracy always decay into violence), perhaps Singapore is the only bright spot.

I would hereby shortly enumerate the three rise of Asia that is neither significant in size nor sustainable in history. First is Japan, the size is too small to be significant. There is also a lack of momentum for sustainability. Japan is not the ideal choice as a leader in the region, since it lacks trust among its

neighbors. Second is the Asia Tigers. They are obviously too small, both in economic and demographic terms. Third, here comes the rise of China. The momentum is there, but we should not conclude too early. What China has achieved, Japan already achieved in 1990, in all indicators. People are even talking about Japan replacing the United States as No.1 economic power. Now in per-capita terms, we should be reminded that China is still a very small economy compared with the EU, US and Japan. Also, China has a range of domestic problems waiting to be resolved. To name a few, over-capacity, reliance on foreign demand, a model of development that is simply not sustainable. Take the issue of export, although China definitely needs to reduce its reliance on export, China is capable and still continue exporting cheap goods. There is no strong incentive in the opposite direction. Should China's export collapses, the Asia and rest of the world will all suffer. Let me have a final observation here. It is fine to a shift of gravity towards Asia and China, but it is too early to talk about an Asian Century, let alone a China Century. As far as the reality is concerned, the 21st century is still an American Century, or at best a Pacific Century.

Prof. Kishore Mahbani:

Let me first offer a complement to the last two speakers. They have contributed many invaluable insights into the discussion today. Here I venture to offer some different ideas.

First, we need to emphasize the end of type of dominance enjoyed by Europe and the US in the 19th and 20th century. Asia needs a different mental map in the Asian Century, instead of substituting the positions of Europe and America. Looking back to the last two thousand years of world history, we see a completely different world, a world that is dominated primarily by Asia, and China and India in particular, as by far the leading world economies. Only with the advance of industrialization and colonization did Europe change the picture. It is important, therefore, to regard the last 200 years as the aberration rather than the rule. If the average Chinese produce as much as 25% of the Americans, China will replace the America as the biggest economy of the world again. And China is striding towards that goal, followed by India, another Asian giant. The rise of Asia is not concept, but the reality in the next 20 to 30 years.

With the rise of Asia come the critical responsibilities. First, we should recognize globalization as the driving force behind Asia's rise and the liberal model of world order supported by the EU and the US. Now both EU and the US have shown signs of weakening. It is Asia's time to rescue the world by supporting this liberal order. Second, Asia cannot continue to play the role of a free rider if it becomes the beneficiary of the system. It would have the incentive and responsibility to support the order. It needs to show leadership in this case. Thirdly, whenever a new power rises, there is geopolitical tension. There is

almost no exception to the rule. In this sense last decade the world has witnessed a geopolitical miracle. However, as Asia continues its rising course, the likelihood of tension is real and strong. Asia needs to reproduce political and intellectual leadership to avoid conflicts and reduce such tensions.

Mr. Thai Quang Trung

For the concept of Asia Century, I think it is a general trend or natural phenomenon, rather than a miracle. With more than 60% of the world population, Asia definitely has the potential to produce as much as half the world GDP and backs to the center stage of world economy. I am more concerned of the environmental impacts of Asia's rise. As the conference on climate change, which will be held in a few days time in Copenhagen, will demonstrate, the environmental and climate impacts accompanying the rise of Asia cannot be dismissed as trivial. If the climate change becomes an inevitable trend, Asia will suffer from serious flooding followed by draughts and rise in the sea level, as the Glacier at the Himalaya continues to melt at an extraordinary annual rate, there will be others even more serious symptoms in the forthcoming environmental crisis.

While Asia has indeed thrived on the present economic model, the model itself is environmentally unsustainable, as resultant environmental degradations and climate changes will offset the marginal effects of improvement on material wealth. There is a certain limit to the earth's capacity to renew itself. There must be a change a course before it becomes too late to retain the natural habitat for the human race and thus provide for sustainable socioeconomic development. China's initiative to cut back its carbon emissions by 45% is very warmly welcomed in this regard. I hope all other Asian economies will follow suit as well.

The economy of ecology will provide China with a new engine for growth. In conclusion, we have the financial resource to overcome the climate crisis, since 1% of world GDP will be sufficient to shift the economic development model to sustainable ways. However, we need a strong global leadership for the task. Asia can take the initiative.

Mr. Teoh Kok Lin

I am a Malaysian Chinese by birth, growing up in Malaysia, educated in the West before joining the very competitive financial sectors. I began to learn more about Asia and China in particular, only after the

1997 Asian Financial Crisis. That is realized in a very painful way, often involving unlearning the Western liberal ideology I was taught in the West.

Learning from the bitter historical experience of 18th and 19th century, when China closed its door and mind from the West and thus became backward country, today's China clearly is very keen to maintain its door open, embracing free trade and many other global values. For one thing, China now realizes the need to be innovative, particular at the time when global competition becomes ever more fierce and demanding. Focusing on international finance, which is my specialty, I would like to regard China as a new student eager to learn, but certainly with an independent mind. China displays this independent nature when it opts for gradualism instead following the radical approach of the Russians. China's present difficulty in opening the financial market is likewise contingent on deep concern for the social stability and livelihood of millions. As for China's contribution to the world and the possible source of global leadership, I think it is two-fold, in both the political and philosophical realms. The Asians in general and China in particular, have an outlook that is very different from the West, when China takes the global leadership; it is bound to make manifest its unique philosophical values and shapes the world differently from the West.

Q&A Session:

Question from Joseph Tan to Wu Jianmin

There are much media talks about the Asian leadership and the advent of Asian century. But the Chinese approach to international relations is very non-imperialistic. I think perhaps the Asian Century will be very different from the European and American Century. I want to ask Ambassador Wu about his opinion on this uniqueness of Asian Century. Will there be more peace and cooperation?

Answer from Wu Jianmin:

There are two trends in the world. One trend is peace and development; the other the cold war confrontation. The 21st century trend will be determined by the competition between these two trends. For the former to succeed, we need a new philosophy. We the Chinese believe in the concept of Harmonious World, in which different powers should co-exist side by side to promote peace and development.

Answer from Ronnie C. Chan:

There will not be a dominant power in the 21st century. Everything is characterized by overwhelming interdependence and the free flow of information. The US, EU, Japan and China will be the major players in a power-sharing game.

Answer from Kishore:

As the Asia century draws near, there is rising nostalgia among certain people about the passing of European and American Centuries. Please don't forget that the two World Wars are primarily European wars exported to the rest of the world. Since there will be a major change in the player of the game, past may not be a good guide for the future. Asia has learnt enough lessons from Europe and the US not to repeat the geographical rivalries in the 19th and 20th century. The attempt of peaceful rise of Asia against the grain of history will be a difficult one, but it is for the benefit of the whole human race.

Answer from Teoh Kok Lin:

Today we are living in a world that is much more multi-cultural than the world of our predecessors. With more understanding of each other's culture, there is going to be less conflicts resulting from misunderstandings.

Question from Sia Ka Mou to Wu Jianmin and other speakers:

While half of world's foreign reserves is in Asia, but they are simply surplus capital with no avail to the holders, since they are recycled back to the developed world. Is there any cure for that institutional weakness of Asia? Another small question is addressed to Ambassador Wu: Is the Overseas Chinese Office under the State Council in China outdated, since it is undoing to the national interests of China? I heard it was very inefficient and caused a lot of problems.

Answer from Wu Jianmin:

You should not lose sight of the larger picture. The OCO has well served the Chinese national interests through their net-workings with over 40 millions overseas Chinese. The overseas Chinese have made an important contribution to China's economic growth. Overall I think the assessment for OCO is quite positive. The negative assessment might be biased and caused by particular and very specific reasons. Neither was the issue of overseas Chinese, which is primarily historical product, a redundant issue for today. Experiences told us that Overseas Chinese still profit from their involvement with Chinese businesses.

As for the imbalance in global financial system, it is because the demand for capital is not adequately met by supply within Asian countries. The flow of Asian capital to the US is not logical or consistent without taking into account institutional shortcomings. The underlying cause is the lack of confidence in the own institutions on the part of the Asians.

Answer from Ronnie C. Chan to Sia Kia Mou:

I have a pessimistic view about the recycling of capitals. China perhaps will follow Japan's examples in continuing buying US treasury bills. As for the Overseas Chinese issue, I think the initiative to investment in China is initially supplied by the overseas Chinese themselves rather than the Chinese government.

Answer from Teoh Kok Lin to Sia Kia Mou:

As a student in the global finance market, Asia still has a lot room for improvement before the imbalance can be satisfactorily resolved. The political system in China, for example, deprives its domestic consumers the credits to invest. I am very surprised to find the lack of financial intermediations in China. People there use cash to pay for house and cars. I suppose this lack of credits is caused by state domination.

Comment by Wu Jianmin:

The unidirectional flow of money from Asia to Us is not logical. The lack of mutual market is one of the institutional causes for this. The Global Finance Crisis offered a good opportunity for Asia to build its own credit market and strengthen monetary cooperation to finance its own development needs.

Remarks by Prof. Wang Gungwu:

Asia has much to learn this time in order to know what to do next. It is not enough to just learn from the past. Asia needs some new ideas in the post-crisis world.

Luncheon Keynote Address

Introduction by Mr. Mirzan Mahathir:

A warm welcome to all our distinguished guests and we have together 150 participants from government, academia and business. The ASLI is proud to co-organize with the EAI the 5th Asia Economic Summit, and we must thank our sponsors. This morning we have very vivid discussions on the economic recovery, the role of the Asia and China in particular. Both discussions and the questions and answer sessions are very interesting. Before the speech by the deputy Prime Minister, I shall have a short introduction about the guest in honor, The Honorable Wong Kan Seng.

Speech by DPM Wong Kan Seng (in summary):

Today the theme is primarily about the economy. However, the economy also poses tremendous challenges to the governance and leadership for both government and business. The question is how to manage the economy in post-crisis era. I will talk about good governance and leadership against the background of the financial crisis.

Good governance and strong leadership are very important elements in times of crisis in inspiring confidence in the stakeholders and providing a clear purpose and vision. Over the years, the Singapore government has consistently sought good governance and leadership to guide the decision making and policy foundations. Our principles for good governance include: good and clean governance, stay abreast with change and relevant, do what is right and leadership is key.

Good governance clean government, as the Singapore government eschews corruption to maintain Singapore as the most transparent and clean country. We have anti-corruptions through various institutions and developed over the years a culture of zero-tolerance towards corruption. We value and uphold the rule of laws. Without this energy will be dissipated and deviated from problem solving. The financial crisis is partly caused by a lack of good governance in the financial sector in the US due to lax regulation and misaligned incentive structure. The Singapore government will draw from the lesson and enhance our own corporate governance. Integrity and meritocracy is the key to good governance. Our financial system, though without suffering a hard hit, also seeks to strengthen our corporate governance and regulation. We always maintain integrity of the bureaucracy and promote people based on their merits and performances.

Anticipating change and keep relevant is also our principle of good governance. Anticipating change is about forecasting. For sure, all our government departments have research units to detect and anticipate problems. But that is not enough, since it cannot forecast all possible events. In the face of uncertainty and changes, leaders must stay alert to both dangers and opportunities, this requires a framework and organizational structure that is ready to react to change and flexible enough to cooperate with other agencies. In great autonomy and responsibility, there is also a need for cooperation and coordination. Singapore has reacted promptly in this downturn. We have shifted the budget debate one month earlier to discuss about anti-crisis policy when the crisis is still at unfolding stage. To preserve jobs, the government quickly adopts several policy measures, such as a job credit scheme to support all Singaporean employees, a risk sharing scheme to protect the SMEs and a liquidity easing scheme to support companies with financial difficulties and those involved in trade financing. All packages provide support for both companies and the workforce.

Keeping relevant also means seeking new opportunities. The Singapore set up the Economic Strategy Committee to adopt itself to a new world environment, in a range of issues from adopting a new energy policy to developing vibrant SME sector. Singapore government also actively develops strategy to capitalize on the opportunity to ensure resilience and structural changes in the downturn. Most of our anti-crisis policies worked very effectively contributing to recovery of the economy and stability of the society.

The government does not always follow the demands from the society and corporate sector. For example, regarding demands such as slice in consumption tax (GST) and employers' contribution to the CPF we have rejected the proposals after extensive research on the effects and comparative investigations. We decide that they are not unequivocal in producing positive results on the economy, firms and the labor force. For the excess manpower problems, we seek to employ an broad and inclusive approach of tri-partial consultation to tackle the problem and shape policy packages to take into account the all the interests of all parties in the cases of different companies. We released a tri-partial guideline that is made to ensure the policy is both balanced and unbiased. The downturn will entail sacrifices for all the stakeholders. Examples include wage-cut for senior management and compensation in the form of skill trainings for retrenched workers.

Doing what is right rather than what is popular demands political will. Leadership must decide and pursue resolutely the policy that is right, even if that will not earn them political points. Governments will have to navigate difficult environment in the financial crisis, a situation that demands more skillful and resolute leaderships. The world economy is just emerging from the crisis; strong leadership is needed in such situations. Leadership must have long term vision and political determination to carry it through.

Developing leaders is a long-term commitment. The cooperation between many organizations is required. Leaders must be prepared and groomed earlier, given the opportunity to grow and face many tests on the way. In Singapore, this system is provided with stability and continuity. This is vital for Singapore's future development.

We must prepare for any unexpected changes despite the recovery. Good governance and leadership must mobilize efforts and navigate the country in the pursuit of public interests.

Q&A session:

Question from S. Roy to DPM Wong:

What will happen to the anti-crisis measures as the economy recovers?

Answer from DPM Wong:

The economic strategic committee will disclose the policy recommendations next month. It is the time the government will consider changing the anti-crisis measures. Some will be changed, some will be ceased and some will be strengthened. Our ESC will consider carefully the post-crisis policies and make appropriate adjustment.

Question from Teoh Kok Lin to DPM Wong:

Singapore has undergone tremendous transformation in the last twenty and thirty years. Many people are talking about don't miss the crisis. What is the development strategy for Singapore in the near future in the post-crisis era?

Answer from DPM Wong:

Singapore is a small country with a small population. And the world is changing very fast. Many opportunities emerge with the rise of China and India, the US and EU in economic difficulties. And considering the national resources and structure of Singapore society, we must make Singapore a cosmopolitan society, a HQ of Asia operation for MNCs and attract new human resources. Singapore has to make effective use of its limited resources. We have involved the government, public and private sector leaders to reflect on the appropriate policies. To get the right niche is critical for Singapore's future development.

Question from Ronnie Chan to DPM Wong:

The fertility for Singaporeans is only 1.28. Hong Kong is only 0.98. So it is even less useful. Singapore is luck to have a strong leadership under MM Lee to clamp down on corruption. Hong Kong is able to do that under the authoritarian British government. But other Asian countries still face rampant corruption. Can you make an accommodation for other Asian countries?

Answer from DPM Wong:

Singapore used to be very corrupted in my childhood days. Our government decides in an early stage to adopt a policy of zero-tolerance towards corruption. This has to begin with the top leadership, from the ministers all the way to the civil servants. To enforce this we have harshly punished even one of our ministers in early years, who took his own life. It really requires political determinations to stem corruption.

Another strategy is to ensure good pay for our civil servants. Or they will have incentives to seek alternatives source of revenue, for example, corruption. Only in 80s we begin to bridge the gap between public and private pays and we are still refining the system.

Session 3 – “Strengthening Economic Trade & Investment Ties after the Crisis – Reconnecting Asia with Europe and USA”

Speakers: **The Rt. Hon. Lim Guan Eng**
(Chief Minister of Penang, Malaysia)

Prof. Joergen Oerstoem Moeller
(Visiting Senior Research Fellow, Institute of Southeast Asian Studies, Singapore; and
Adjunct Professor, Singapore Management University & Copenhagen Business School)

H.E. Jorg Ranau
(Ambassador, Embassy of the Federal Republic of Germany, Singapore)

Moderator: **Prof. Zheng Yongnian**
(Director, East Asian Institute, National University of Singapore)

Introduction by Prof. Zheng Yongnian:

This session’s theme is “Strengthening Economic Trade & Investment Ties after the Crisis Reconnecting Asia with Europe and USA”. Prof. Zheng mentioned that during the morning session, Prof Wang Gungwu stressed that we are living in interdependency and Asia will not be disconnected with Europe and the USA. A few years ago, he (Prof. Zheng) was in Europe and there were many trade, investments and co-operations between Asia and Europe. There are good connections and bad connections, and he hopes there will be connection in harmony. The three distinguish speakers will talk about strengthening the connections, and pursue the connections.

The Rt. Hon. Lim Guan Eng:

In his presentation, Rt. Hon. Lim stressed the reconnection between Asia and US / Europe is not just one way, but it happens both ways. It is a mutual connection of interests and both sides must be of interested parties, and must be of a two-way affair. In this aspect, when we talk about strengthening economic, trade and investment ties, both Europe / US and Asia in general commitment that our interests are bound together.

The 1997 crisis was seen as an Asian Financial Crisis and it was contained in the region of Southeast-Asia. This current crisis is different. Although it originated in the US to Europe, from the sub-prime crisis

to the collapse of the banks, it gravitated around the globe, just like the Second World War. Even though it was a conflict between Western powers, the impact was felt throughout the world. Similarly for the crisis which was originated in the West, its impact was felt globally. That is something we need to take note. It was the people that suffered the most, but the culprits are seldom punished.

When connecting with each other, there must be mechanism to punish those who are responsible that caused all these problems. We failed to comprehend that those banks which failed, continue to survive, and why those managers are able to claim exorbitant bonuses, and why they are not punished. There must be mechanism in the financial system to show that it is fair, and the best and most competent survives.

When we talk about reconnecting Asia with Europe (and US), one very key-point that always remain is the shift of the balance of power to Asia. This is not true. Quoting statistics from the World Bank on the growth rates of region, from 2007 to 2010, for OECD countries for 2007 having an average growth rate of 2.7%, for 2008 0.4%, for 2009 -3.2%, and the projected growth for 2010 is 1.7%. For developing East Asia, which includes China, which for 2007 11.4%, for 2008 8%, for 2009 (projected) 6.7% and projection for 2010 is 7.8%. By looking at these figures alone, the perception is that Asian is surpassing the OECD countries, which includes Europe and US. If we look at average growth rate disparity between OECD countries and Asia over these 4 years, there is a gap of over 8.1% every year. Despite that, the centre of gravity of power has shifted to Asia.

China has surpassed Japan as the second largest economy of the world and with a foreign reserve of US\$2.3trillion, is an economic power in its own right. But most of China's exports are going to US and the OECD countries, China cannot allow these countries to fail, because if they fail, China also will fail. There is no more bi-polar world, but the world is getting multi-polar in nature, which is more nature, more stable, and will lead to a more stable equilibrium.

The other lesson that should be learned from the economic crisis is the need to build for the future. As much Asia needs the West, the West also needs Asia. It is having win-win situations. Exploitation of one party by another should be minimized by the use of Confidence Building Measures, and by adopting some institutions. That is why it is important to have constructive engagement, as we say about ideas of democracy, principles of good governance, and establishing integrity leadership, which these are part of the institutions of every successful economy.

The concerns of these development countries, is to replicate the success of countries like Singapore. For those countries which are caught in the 'middle-income' trap which are no long producing low-wage

products but still not good in producing high-value added products, how to development and becoming a high-tech economy? The World Bank suggested a 4-key policy to meet this challenge. One, to further specialization of the economy; two, improve the skill-base of the labor force; three, making it more inclusive, and four, boasting public finances. In Penang, we are doing that and we have made some progress in improving our finances, turning around deficit to surplus, but this is not sufficient. What we need is a paradigm shift in terms of our mindset. There is no point talking about surpluses in our budget, if we cannot change the mindset of the people that we must start learning from successful models. If you are not open to the pursue of knowledge, and if you are not willing to explore, experiment and bring forth positive changes, there is no way that a country can transit to experience a high –growth. In conclusion, it is important to grow great minds, which discuss ideas. The pursuance of knowledge is the pursuance of mind to be creative and innovative.

Prof. Joergen Oerstoem Moeller

Please refer to Session 3 Speaking Notes in Conference Kit

H.E. Jorg Ranau:

In his presentation, H.E. Jorg Ranau mentioned that there is no decoupling of those within the major economic blocs. It is globalization that we all speak about. That means, we all have to cooperate in overcoming the recession, but are we at the end of the crisis? The crisis does not just come from the economic side, but also from other factors, and that is where major nations, economies have to cooperate. H.E. Jorg also mentioned about the confidence in institutions, especially the banking sector. Confidence must be reestablished the regulatory system. He also mentioned about structure reforms. In industrialized countries, there are reforms in the healthcare sector, and also excess capacity, especially in the car industry, which Prof. Moeller mentioned. He also mentioned about the crisis in the real estate market which we have seen a bubble and see how that bubble has developed. We also take into consideration that the budgetary crisis is at loom, as they are running in high debt. And in these few years, these nations will have to balance their budgets.

He focused on Europe, which is not as dynamic as Asia, because there are more developing countries in Asia than in Europe. For those countries that joined the European Union a few years ago, also experiencing high growth rates. In Asia, the rise of China and India, claimed not just posing challenges

for Europe and the US, but also pose the same challenges to other regions and economies, like Japan, (South) Korea, and Australia.

The theme “reconnecting Asia with Europe and US” seems to mean that there is an interruption. But H.E. Jorg claims that the crisis has brought all economies closer together, which resulted the emergence of the G20 of its prominent role that it plays today. There is legitimacy that 90% of global GDP, 80% world trade and 2/3 of world population are found in regions that are working together. Germany and Europe, and what are their interest in Asia, but I can say that they are very heterogeneous as Asia. Of course, it is trade and scientific cooperation, and also political and geo-political interests that include non-proliferation, human-rights, and global interest such as climate change, and global governance that should be mentioned.

Asia, particularly ASEAN, is one of most important trading partners, and comes after US and China as major trading partners. Similarly Europe is also one of the most important trading partners for ASEAN. For foreign direct investments (FDI), the statistics are more compelling. Europe’s FDI in Asia is more than Euro100billion (in investment stocks) in 2007, which is higher than those invested in Japan and US. The FDI stocks investments between 2004 and 2007 from Asia to Europe grew from Euro20billion to Euro40billion.

To bring the regions closer, Europe is very keen, and is concluding the negotiations of the EU-ASEAN foreign trade agreement. There are difficulties in the negotiations as different countries are in different stages of development and have different levels of liberalization. Thus the most feasible way is to negotiate bilaterally those countries which are willing and able to go ahead. Singapore will be at the very forth front.

There are very close relations between Europe and ASEAN countries in the areas of trade and investments. In the area of the exchange of students and the exchange of research, we are having some progress. To mention, there are some cooperation between universities, and Germany for example, has established a university in Ho ChiMinh (Vietnam) city, and Germany's Fraunhofer-Gesellschaft, Europe's largest institution for applied research in computer graphics, has signed a Memorandum of Understanding with Singapore’s Nanyang Technological University promoting applied research and commercialization opportunities in the field of Interactive Digital Media (IDM). There is also a big contingent of students from Asia in Germany. Bringing students and bringing research together is also a basis of bring closer relationship between Europe and Asia.

Asia as a dynamic region, and Europe in terms of its high GDP worldwide, also has a big export bloc to the world, and also huge FDI's between the two regions. The regions also looking into solutions in climate change, and hope to establish better relationships by 2015.

Q&A Session

Comment from Mr. Sia Ka Mou

When we talk about Europe, US and Asia, there seems that there is one important point that we have missed, that is the cooperation in agriculture. Most farmers are in Asia, and in the past few years, there have been heavy subsidies to the European farms, amounting to USD300million. For those countries in the OECD, the population of farmers in the farming industry is least than 5%, which the population of farmers in the farming industry in US is least than 1%. But initially, it was more than 50% and the heavy subsidies have bankrupted a lot of these farmers. A global policy should be in place. In addition, in North America, there are a lot of natural resources in water and land, in which can have a look into agriculture.

Question from Prof Zheng Yongnian to Prof Moeller

The question is about global demand. Ambassador Ranau also mentioned about the domestic market, and there are great confidence about China and India, and they have great potential in their domestic demand. And these domestic demands do play an important part in global demand. I would like Prof Moeller to make some comments.

Answer from Prof Moeller (to Prof Zheng Yongnian's question)

To strengthen the global demand, China and India somewhat have to stimulate its domestic demand. If you look at the statistics by the ADB (Asian Development Bank), you can see the demand by the Chinese economy have been boosted by domestic demand, and maybe by those investments and consumption has gone up. It is a good thing for the global economy is that China, more than India, have moved up in their domestic income, which the Chinese government is trying to boost last year. Whereas the US economy borrows money to stimulate its domestic demand, China can actually stimulate its domestic demand which it actually helps. But we should bear in mind if we increase private consumption in China we aggravate the environment and pollution.

Question from Prof Zheng Yongnian to Rt. Hon. Lim Guan Eng

What can we learn about the cooperation on ASEAN countries? (In the view of Japanese Prime Minister's Hatoyama's concept of an East Asia Community)

Reply from Rt. Hon. Lim Guan Eng to Prof Zheng Yongnian

The creativity and innovation are not able to flow freely in the Asian academia. Examples are this year and previous year Nobel Prize winners, like the Indian economic Nobel Prize winner; he is not from India but from the United Kingdom. It is growing great minds, and you cannot buy great minds. There are also some lessons that Europe and US should take note. Firstly, I have attended some African conferences, and how there are policies that are double standard. Like some of the policies in the IMF (International Monetary Fund) which the rules are not applicable to the same to all members, especially to those developing countries which have IMF assistance. Two, how the US got away from this economic crisis? We talk about huge amount of money spent on the salvage / prevention of recession, basically printing money, just because the US dollar is the international currency. At the end of the fourth quarter last year leading to the first quarter this year where the worst of the economic crisis is, the US dollar did not go down, which does not make sense. This is the sole position of the economic and military power that accounts for its 'unusual' stance. In other aspects, the foreign reserves held by the Chinese, a USD2.3 trillion worth of bonds, the question to ask is, why double standards? And also the steps which the Western countries preach to other countries to do this or that, which others are compelled to follow.

Comment from H.E. Jorg Ranau to Rt. Hon. Lim Guan Eng's reply

I would like to comment on Rt. Hon. Lim Guan Eng's reply on currencies. The Euro accounted for around 27% worldwide in terms of reserve currency. Central banks this year put 50% of their reserves into the Euro and 27% into the (US) dollar. What does it mean? It could mean that the world is slowly shifting. We may be looking to a more stable system, with the rise of the Renminbi (RMB) and the Japanese Yen, but we need more thinking about this issue.

Question from Dr Zhang Yigang to Prof Moeller

As Asia is the producer and US is the consumer, and we also talked about the boosting the aggregate demand and it is a feature in Europe that many countries have tax schemes which is more progressive as compared to the US. If such progressive tax scheme are to be in US, will it so called able to boost its aggregate demand?

Answer from Prof Moeller to Dr Zhang Yigang's question

Euro is sound and balance, and its trend growth is about 1.5 – 2% which is achieved by its balance of payment with the outside world, and the reasonable consideration from the public budget. So I am quite confident in the economic policy in Europe and seek to maintain Euro's competitiveness. The outsourcing

side of the industrialized countries, like Europe and the US, to countries like China, and I have confident that Europe has also contributed in the increase global demand.

Answer by H.E. Jorg Ranau to Dr Zhang Yigang's question

The prediction for growth in the next few years is that for US, it supposed to be higher than Europe for the next few years. But for 2012 and 2013, experts predict growth for Europe again will be higher than of the US, predicted by the IMF. Of cause of the higher taxes and also costs for the welfare systems in Europe have always put Europe at strain. I would like to agree with Prof Moeller. The population in Europe is not rising as quickly, as compare to the US, which will also have an impact on the per capita GDP.

Speakers: Ms Aireen Oman

(Regional Head, Corporate Finance & Treasury, AirAsia)

Mr Steven Vedhoen

(Managing Director Asia, Booz & Company (Japan) Inc)

Mr Stuart Dean

(President, GE Southeast Asia)

Mr. Girija Pande

(Chairman, CII-India Business Forum and Ex-Vice President and Head Asia Pacific, Tata Consultancy Services, India)

Mr. Setyanto P. Santosa

(Chairman, Indonesia ICTs Society / Member, BOC of PT, Indosat Tbk)

Mr. Tanri Abeng

Chairman, Telekom Indonesia

Moderator: Dato' Dr Jannie Tay

(Vice Chairman, The Hour Glass Ltd / President, ASEAN Business Forum)

Introduction - Dato' Dr Jannie Tay

Over the last 12 months, businesses have suffered anxiety and stress, particularly due to the drop in sales in our own companies, in my case, the industry as well, also as the President of the Singapore Business Association. I just want to share the impact that we had over the last 12 months, that sales from the retail side has dropped 20 – 50%. The reason was two years earlier the retail side was having a boom, growth was happening, and everyone was signing clauses for rental increases from 20 to 50%. When the sales drop, we called up ministerial, we called up ministries, and retailers thought that they are competing with other. That was then the first time we shared information. 12 months ago, we all get together and share information. We shared about our strategies, our strengths, our weaknesses and in January 2009, I called upon the landlords and give them special deals if we (the retails) were to join up with them. And following from that, we have the SMEs who share the same experiences as we did. As a group, we are able to share our information for the first time, and we strategize our strengths in order to beat what we saw as a 'deep hole with no blue skies'. We are able to give each other strength, we see that we can overcome our difficult odds we see that working with government agencies, we started sharing information. We started to be transparent to each other on information that may be useful in terms of rental negotiations. By being transparent with the government, one of the ways which they are able to assist us (the retailers) is the area of 'job credits'. With it as a stimulus, we are able to get back to almost

normal. With the 'job credits' are to be taken off within the next few months, what is next? What about the rentals? What about the productivity? How much can we support and share? What we have gone through in retail speaks forth of everybody else in business. It is how we, as industries, get together. It is how we as companies have our own individual strengths, strategies and niche, and if regional or global, how do we cope with currencies issues, governance issues and consumer confidence. In retail, it is very much on consumer confidence, and in Singapore, we have very weak consumer confidence because the stock market and property prices went down. We have fewer tourists, and even we have to keep our survival (the retailers), we do not have the consumer dollars to spend with us. By pulling together, we are able to overcome that. This session will look into those (retailers) who have so much invaluable experiences, and I would like them to share their experiences.

Ms. Aireen Omar:

I would like to share how we faced the economic crisis. I covered finance and treasury, and it is my job to secure financing as we have huge aircraft orders, and we also have operations in the regional. We did not see the crisis as a reason for not secure financing, so we vigilantly monitor the financial markets. It is our constant interaction with the banks and financiers, we would know by early September last year, that we would have a problem, so we decided to lock-up two years of aircraft financing for two years delivery. We have lock-up before the peak (of the crisis) so we are able to lock-up very competitive rates. It is times like this that everyone in the company to stay very focus and know what is coming on, whether is it financing, or hedging in the market. In crisis, there is actually opportunity, like having an opportunity to serve your customers, as every customer has a need. It is in a way to re-invest in your culture and reach out to your customers, in finding new products, and to meet that need in times of crisis. It is the times of crisis that you could up your branding, as most retailers will scale down their marketing efforts. That actually gives us the advantage as marketing houses are actually offering better deals. With our pre-crisis budget, we can actually do more with the better deals. Thus the crisis does provide better opportunities, and better ways to reach out to the consumers. We take advantage of social networking because that is one way we interact with consumers. We also take advantage of Facebook, Twitter and YouTube. We found out that brand loyalty comes about with conversing and also understanding your customers' lifestyle. So it is a platform to build a lifelong relationship. This is how AirAsia deals with the crisis.

Mr. Steven Vedhoen:

Mr Vedhoen's company sees that the demand has decrease 30% - 40% in Japan and also in other countries. The demand also changed significantly. Thus the company needs to restructure. The company

looks at the costs that can get rid at short-term and also looks at the cost which are seen as investments. In Japan and Asia, there are flexibility in the workforce and also the company itself, thus able to make room for innovation. And the spending in Research & Development has not decrease, as so to be stay at the innovative edge.

Mr. Girija Pande:

India was not hit by the financial crisis and India still having steady growth and bullish trends. India has a big domestic industry and large domestic consumption. But India is seeing a very different challenge, and we are seeing increasing trends of Indian companies are acquiring companies outside, especially in Asia, as a way to survive because other companies are coming into India. What are we doing in this process? The first thing we have to do is to improve corporate governance if you really want to be a global company. This is the top priority. The second thing that Indian companies have to focus on is the entrepreneurial drive to innovation and business excellence. Each company has to come up with its business excellence standards. A lot of focus is on innovation and business excellence. An example is the Nano car, which cost \$2,000. It was done at with constrains of \$2,000. There are huge markets at the bottom of the pyramid, and we are creating services for that market. And Nano is a classic example for people, who are at the bottom of the pyramid who wanted to buy a car. India sells around 5 million motorcycles a year, and if we get 2 million people to switch from motorcycle to a Nano, that will be 2 million cars. That is the way that we are looking at the market. Typically, housing is coming up and we are looking at housing at a certain level, at around \$5,000 – 6,000. So how can we make use of materials and productivity, merged together with innovation to produce low-cost house. In TCS, our IT arm, we are coming up with IT hosting for small-and-medium businesses. We pioneering the offshore IT services, we have 150,000 software engineers, and we provided offshore services globally. When you go global, you have to get global capital, global footprint and global talent. In TCS, we have 71 nationalities in 45 countries.

Lastly, I want to talk about sustainability and CSR (Corporate Social Responsibility). Sustainability about carbon footprint, energy intensity, and when we talk about Corporate Social Responsibility, the Tata group is a classic example. A hundred years ago, the Tata family gave away all the shares to charity and now has become the biggest charity in India. Thank you very much.

Mr. Stuart Dean - President, GE Southeast Asia

Mr Dean mentioned that their key of survival is focusing on the strengths, and downsizing our non-core business, which is our financial services, and on the same time, we also start on our investments on IT infrastructure. We start our investments in India, China, ASEAN, in particularly Indonesia. We also talked about sustainability, climate change and global warming issues. We are finding better solutions, whether it is transportation, healthcare etc to the people around the world. With the focus on technology and innovation, we have increased our R&D spending despite the challenges we are facing over the last 12 months. GE has been looking for solutions to solve these problems, so we are looking for products that are super high in efficiency that make sense for our customers to invest as so to have longer cost savings. In India, GE is competing in India that we are launching an Ipod handheld ultrasound- machine for education and rural healthcare markets sometime the first half of 2010. Lots of exciting things does happen in times of crisis.

Mr. Setyanto P. Santosa - Chairman, Indonesia ICTs Society / Member, BOC of PT, Indosat Tbk

In Indonesia, the telecommunication industry has contributed about 15% of the GDP growth with USD7.5 billion of capital expenditure invested in ICT. Indonesia has many teleco companies – 12 operators – thus there is tight competition among them, and some of them cannot make any profit. SDT, a joint venture, between Indonesia and Singapore Technologies, which used to owned 42% of the shares, which sold of its shares. Singapore Technologies managed the company very well, but politically it is not acceptable. There is a rise of nationalism, as Indonesians sees it being sold to Singapore by Megawati, the previous government.

Very few Middle East companies invested in Indonesia, which is due to the different business culture. And in Indonesia, 95% of the customers are prepaid-customers, and most of the prepaid-customers have at least 2 telecos numbers, thus there is a big subscription market.

Mr. Tanri Abeng - Chairman, Telekomsel Indonesia

Please refer to Session 4 Speaking Notes in Conference Kit

Q&A Session

Question from Dato' Dr Jannie Tay to Mr Girija Pande

Can you talk more about TCS in China? What are the successes and challenges faced in China?

Question from Dato' Dr Jannie Tay to Mr Steven Vedhoen

You talked about the changing nature of consulting contracts, are you saying that more customers are looking into restructuring? Are they looking into long-term, short-term, medium-term? Is there any specific area that they are looking for in restructuring?

Question from Dato' Dr Jannie Tay to Mr Tanri Abeng and Mr Setyanto P. Santosa

There are a large number of players in the teleco market in Indonesia. Do you see any restructuring or consolidation of players in the short to medium-term?

Answer from Mr Girija Pande to Dato' Dr Jannie Tay

We went to China around 7 years ago and set up our own company. Today, we have 1,200 people in China, 95% of them are Chinese. Then the Chinese government asked us to have a joint-venture with them, because China is also very keen to have an off-shoring industry in IT services, very similar to what we have in India. So we worked with MNCs and multinational banks in China. We also worked with many of the large banks, eg the Bank of China, and we are the number one in position in IT implementation in China right now. Like us, there are also other new companies that also moved into China. China is a large IT market. We are growing at around 20 – 25% for the last five years.

Answer from Mr. Steven Vedhoen to Dato' Dr Jannie Tay

When we talked about restricting, what I meant was around 2 – years ago, when CEOs in times of growth, are buying up companies. But in the last 12 months, in particularly in restructuring work, the buying and shut-down, it is an expense when the company is facing tough times. Buying a company is a discretionary expense. The organization that buys over the other organizations tends to be larger and more composite. Within these restructuring, we tend to see three types of clients. Firstly, those who are hard-hit by the crisis and turned to outside help. Secondly, for those who are better prepared and know how to growth stronger. These are the ones who are clear of where they are heading. The third are the government, eg, the Netherlands.

Answer from Mr. Setyanto P. Santosa to Dato' Dr Jannie Tay

The 12 operators have a very difficult time to survive. In my prediction, only five will survive. Unless they change, else it is very difficult to survive. Indonesia has the highest Blackberry users. It is the only mobile media (device) for internet in Indonesia. We have to change the business model. We have discussed with the government for wired broadband. The private company provides the infrastructure for broadband services and the government subsidized. An example is the “One Net” program in Singapore.

If this broadband can reach the homes, this will also boost the Indonesia economy. This is what the government has to do if they want to see ICT as an engine of growth. In Europe and US, 60% of the broadband used the wireless. But in Indonesia, 95% of the users use the wireless. Thus there are congestions. With 2GB, when downloading, one may be around 1kbp. Indonesia, 63.5% have elementary school background. The graduates only consisted of 3.7%. Do not expect this 3.7% of the population be the engine of growth. The general masses should be able to have broadband, and it should be available to the homes.

Answer from Mr Tanri Abeng to Dato' Dr Jannie Tay

I agree with Mr Setyanto P. Santosa. Out of the 12 operators, 6 are failing and they may have to get out. I would predict by the end of 2010, around three or four will be acquired or change its business model.